MANAGEMENT COMMITTEE
OF THE FEDERAL-PROVINCIAL PLANNING
SUBSIDIARY AGREEMENT OF NEW BRUNSWICK

STUDY OF THE FILM AND VIDEO INDUSTRY IN NEW BRUNSWICK

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I. REVIEW OF THE OBJECTIVES OF THE STUDY AND THE METHODOLOGY USED

A. THE OBJECTIVES OF THE PROJECT

The objectives of this project were:

- To establish the profile of the film and video industry in New Brunswick including the threats and opportuinities relating to the industry and its future viability.

- To demonstrate the existing and potential markets accessible to the film and video industry in New Brunswick.

- To demonstrate on a comparative basis the profile of the film and video industry in Quebec, Nova Scotia and Manitoba, including all forms of private and governmental support available in these provinces and showing their differences.

- To define and analyze the development options available to the industry in New Brunswick.

- To define strategies of implementing the recommended options including the role of the members of the industry, of the governments and other participants in the private sector and to recommend the most appropriate strategies.

B. OUR GENERAL APPROACH FOR CONDUCTING THE STUDY

We have conducted this study following the methodology specified in our proposal. We have dealt with each specific aspect referred to in the terms of reference. This methodololy consists of the following three elements:

- collection of existing secondary data;
- collection of primary data from face to face and/or telephone interviews;
- analysis and recommendations.

In the course of this study, we have met many resource persons working in such diverse areas as production companies, manufacturing enterprises, ministries, etc., in addition to the member of the Management Committee. (See Appendix II and III)

Our conclusions and recommendations are therefore based on our analyses and are supported where necessary by the opinions and judgments of regional, provincial and national experts with whom we have met.

II. THE FILM AND VIDEO INDUSTRY IN NEW BRUNSWICK

A. THE MARKET

The approach used to evaluate the level of film and video productions in New Brunswick is an analysis of supply, supported with an analysis of the components of demand.

- In the case of speculative (uncommissioned) products such as T.V. productions, and feature and short films, the potential market is a function of, among others, the following parameters:

  - the investment capacity and propensity to invest of local stations (private and/or public);

  - the investment capacity and propensity to invest of private investors;

  - the funds available with the assistance programs of Telefilm Canada and the National Film Board (NFB);

  - the investment capacity of the producers themselves.

Thus, the market for products of a speculative nature is much more a function of the available funds, than a demand based solely upon the intrinsic quality of a product that meets the needs of a specific clientele. A market will always exist for a speculative product of good quality provided that the distribution and advertising can reach and interest the potential audience.

- In the case of "contractual" products, the demand depends on a process of rational purchasing on the part of the client.

  Thus, a manufacturer, who makes a TV campaign to promote a product, invests only for the purpose of reaching a specific target audience. The actual demand for such products reflects, in good part, potential future demand.

Our approach to quantify this aspect must include the production of film and video of all organizations, companies, groups and entities who produce film and video products and/or the existing demand for one of these products.

The analysis of supply would have to include:

- independant producers (including grants received);
- private and public television stations;
- internal governmental production;
- supply from outside the province;
- the impact of Telefilm and the National Film Board.

Analysis of the demand includes:

- the demand for feature and short films
- the demand for television productions
- the demand for contractual products.

Table 1

INCOME OF INDEPENDENT FILM AND VIDEO PRODUCERS IN NEW BRUNSWICK

($000)

Producers	1983 ($)	1984 ($)	1985 ($)
• Producers interviewed*	538	1,104.5	1,093.5
• Other producers**	60	123	121.5
TOTAL	598	1,227.5	1,215

* Based upon questionnaires completed by producers.

** Estimated 90/10

1. The Supply of Independent Producers

The analysis of the supply of independent producers in New Brunswick is based upon the levels of production of the principal producers of the industry.

Table 1, opposite, indicates the income of the principal producers for the last three years.

The total revenue of the principal producers was approximately $1.1 million in 1985.

Taking account of Pareto's Law, and using a factor of 90/10, the total income of all producers would be $1.215 million in 1985.

2. Internal Governmental Production

Our enquiries at principal New Brunswick government departments show a production total of $152,250 (see Table 2). This amount reflects, in our opinion, only part of the real internal governmental production.

In Manitoba, where the Gross Internal Product (GIP) is 2.10 times that of New Brunswick, the estimate of this expense is $1.3 million in 1982-83. In Quebec, the estimate is $7 million, mostly in the education sector (universities) for a provincial GIP that is 13 times that of New Brunswick.

Only fifteen (15)% of the $7 million in Quebec was found in the accounts of the two central services charged with coordinating the production.

Table 2

NEW BRUNSWICK GOVERNMENT

ESTIMATE OF THE FILM AND VIDEO PRODUCTIONS OF CERTAIN MINISTRIES

(Year 1985)
($000)

	Internal Production	Outside Contracts to N.B. Producers	Contracts Outside of N.B.
• Department of Health and Community Services	0	7.5	0
• Department of Transport " "	27 10 (1)		
• Department of Education	59.3		
• Department of Tourism		7.5 (2)	230
• Commerce et Technology		2.5	2
• Natural Resources and Energy	2.65	15	
• Agriculture	53.6		
• Justice		12.6	
TOTAL	152.25	45.1	232

(1) With A.T.V.

(2) The Department of Tourism spent $66,500 for contracts outside of New Brunswick, of which $7,500 went to independent producers and $59,000 to A.T.V.

If we use the ratio of the GIP of Quebec and Manitoba for New Brunswick, and take into account their estimated level of internal governmental production, we arrive at an amount of approximately $600,000.

The calculations are established in the following way:

- GIP of Quebec/GIP of New Brunswick = 13
- $7 million in Quebec/13 = $530,000
- GIP of Manitoba/GIP of New Brunswick = 2.1
- $1.3 million in Manitoba/2.1 = $600,000

3. Production By Television Stations

Television stations are producers of film and video and intervene directly as suppliers of the market.

Thus, for example, the Department of Tourism, in its outside contracts, has granted to A.T.V. (Moncton):

- 1983-84 $34,300
- 1984-85 $59,999
- 1985-86 $15,700

Television stations traditionally restrict themselves to the production of low budget commercials which permit them to sell broadcast time. They occasionnally produce promotional documentaries.

The income from productions* drawn by the private television industry in the Atlantic provinces in 1984 rose to $1,522,000. Of this amount, we estimate that 30% was generated in New Brunswick, approximately $500,000.

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* The Internal production is accounted for in costs and does not appear in this evaluation.

Table 3

COMMERCIALS PRODUCED IN
CANADA BY INDEPENDENT PRODUCERS

	Commercials	
	1982	1983
Atlantic Provinces	4	-
Quebec	1,276	1,816
Ontario	2,987	1,533
Manitoba	165	92
Saskatchewan	326	34
Alberta	59	50
British Columbia, Yukon et Northwest Territories	395	432
CANADA	5,212	3,957

- Total amount of production = $60,848,000
- Average cost of production = $15,377 (1)

(1) 3,957 commercials for a value of $60,848,000 million.

Source: Statistics Canada

Table 4

THE DEMAND FOR COMMERCIALS IN NEW BRUNSWICK

Approach no. 1

- Given the following variables:

a = Television income per capita in Canada	$29.75 Year: 1983
b = Population of New Brunswick	$696,403 Year: 1981
c = Income of independent film and video producers in Canada in the production of commercials	$60,848,000 Year: 1983
d = Income from sales of television commercials in Canada	$863,823,000
We postulate that:	
e = Ratio of Canadian production/TV Income	= c/d = 7.04%
f = Income from sales of television commericals in New Brunswick	= a x b = $20,717,989
We therefore conclude that the potential demand for the producers of film and videos in New Brunswick and in the production of commercials	= f x e = $1,458,546

By way of example of commercials produced outside of the province, we refer to:

- the Department of Tourism	± $200,000
- a fully accredited agency of the province of New Brunswick	± 11 messages given outside of the province.

Our approach to evaluate this demand for commercials fulfilled outside the province was to determine the potential demand for commercials in New Brunswick by isolating that part of the demand met by local independent producers.

We have adopted two approaches to quantify the potential demand of New Brunswick.

a. Approach According To Method N° 1

This approach which is supported by the ratio of expenses in television commercials per capital in Canada, indicates to us an eventual demand of New Brunswick in the amount of $1,458,546 (see Table 4 opposite).

b. Approach According To Method N° 2

In the course of this approach, we have sought to quantify the market directly by reference to potential customers.

We have proposed as a hypothesis ;that the principal advertisers are businesses/organizations/ministries of a minimum stature and operating in certain sectors.

Table 5

LIST OF 32 CATEGORIES OF PRODUCTS
AND SERVICES AND THEIR RELATIVE IMPORTANCE
TO THE TOTAL NATIONAL EXPENSE

CATEGORY OF PRODUCTS	PERCENTAGE OF NATIONAL EXPENSE	
	1977	1971
Food (1)	23.2%	20.0%
Auto fuel and accessories	11.0%	17.0%
Toiletries and perfume (2)	9.6%	12.9%
Breweries and distilleries	7.5%	9.0%
Gouvernment	6.6%	3.6%
Tourism and transport	5.8%	4.8%
Insurance and finance	5.5%	5.3%
Cosmetics	4.5%	5.4%
Medication	4.3%	5.8%
Clothing and accessories	4.3%	1.5%
Sport articles, games, cameras	3.7%	2.7%
Cigarettes et accessories	3.5%	4.0%
Furniture and stereo equipment	2.3%	1.0%
Household appliances	1.6%	1.1%
Advertising services	1.3%	1.4%
Silver, porcelain and jewelry	1.2%	0.7%
Periodicals and in-house publications	1.1%	0.3%
Miscellaneous	1.0%	0.4%
Household products (soap, etc.)	0.7%	1.2%
Hardware and paint	0.4%	0.4%
Office equipment	0.2%	0.1%
Farm equipment	0.2%	0.1%
Industrial and commercial equipment	0.2%	0.1%
Construction and heating materials	0.1%	0.0%
Schools and correspondence courses	0.1%	0.0%
Insecticides, farm animals food & medication	0.0%	0.0%

(1) This category comprises four classes of products referring to food.

(2) This category comprises two classes of products referring to toiletries and perfumes.

Table 7

THE DEMAND FOR ADVERTISING

IN NEW BRUNSWICK

Approach no. 2

• Demand for advertising production of companies, organizations, etc., having a product to promote on a national and international scale	$ 525,000*
• Demand for advertising of other enterprises of 150 employees of more	$1,091,767**
TOTAL	$1,616,767

* Cost of national scale production: $175,000

** 71 companies at $15,377 (see Table 3)

Table 5, opposite, shows us, that for Canada, the categories of products and services as well as their relative importance to advertising expenses in general.

By concentrating on the principal categories of products and services which are the subject of advertising, we have identified all of the businesses and/or organizations of New Brunswick of 100 employees or more. Table 6 provides a portrait of the target sectors adopted and the number of businesses included in each sector.

Thus, 74 private or public enterprises have the opportunity and financial means to invest in commercials each year.

We have calculated a potential demand for these 74 entities as can be seen in Table 7. The amount is estimated to be $1,616,767.

c. Final Estimate

On the basis of the two approaches, we conclude that the level of present and/or potential demand is $1.5 million.

This effort is presently covered by:

- New Brunswick independent producers;
- New Brunswick T.V. stations;
- supply from outside the province.

We have calculated $377,800 (see Table 9)* as the amount of advertising production of New Brunswick independent producers, which leaves $1.12 million of the demand which is met outside of the province

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* See Section B, following

Table 6

THE DEMAND FOR ADVERGISING
PRODUCTION IN NEW BRUNSWICK

Approach no. 2

The Target Sectors	The Number of Enterprises with 100 employees or more
• Food and beverage industry	18 *
• Processing of petroleum and coal products	1
• Transport	15
• Communications	1
• Utilities	2
• Retail businesses	9
• Financial institutions and insurance	2
• Provincial administration	20
• Local administration	6
TOTAL	74

* Industries other than fish processing.

or by local New Brunswick broadcasters. Knowing that national commercials are produced outside the province and that certain agencies tend to first give their contracts outside the province, we estimate that at least $750,000 in advertising contracts alone are given outside of the province.

5. Impact of the N.F.B. and Of Telefilm Canada

The amounts which the N.F.B. and Telefilm Canada can invest in New Brunswick are evidently a function of the projects but, also of the budgets of these two organizations. For Telefilm in New Brunswick, it is more a question of the availability of projects and not of the availability of funds. The amounts invested by Telefilm are accounted for at the level of independent producers.

The N.F.B. is responsible for a budget of $450,000 for Acadia and a budget of $550,000 for the anglophone part of the Atlantic provinces, of which approximately one third is for New Brunswick. This would seem to indicate a budget of approximately $600,000 for the province of New Brunswick. Of this total amount, one part is allocated to the income of independent producers whereas the other part (editing, technical production) in practice, is not spent in New Brunswick.

6. Estimated Total Supply

The supply, including all areas of production in New Brunswick is estimated as follows:

- independent producers	$1,215,000
- internal government productions	600,000
- supply of television stations	500,000
- supply from outside the province	750,000
Total	$3,065,000

Table 8

ENTERPRISES ACCORDING TO DIVISION BY INCOME

	NEW BRUNSWICK (1985)	%	CANADA (1983)	%
Less than $50,000	4	50	178	36.4
$50,000 - $99,999	1	12.5	77	15.7
$100,000 - $249,999	1	12.5	104	21.2
$250,000 - $499,999	2	25	56	11.4
$500,000 - $999,999	0	0	47	9.6
$1,000,000 or more	0	0	27	5.5
	8	100%	489	100%

The following comments are worth noting about this total:

- It does not incorporate the potential demand for multiple applications of video such as:
  - tourist videos for municipalities and regions;
  - video sales catalogues for automobile dealerships, department stores, etc.;
  - farming videos (e.g.: presentation of breeding animals, etc.);
  - educational videos;
  - sales videos.

We can therefore suggest that the potential market is "existent and latent" for New Brunswick film and video producers, and taking into account the enormous potential with respect to increased market awareness, the figure is closer to $5 million than $3 million.

This additional $2 million can represent, in fact, a feature film worth approximately $500,000, a television series of $500,000 to $1 million and the sales of 20 videos and new applications to new clients. We estimate, therefore a potential global market of $5 million annually.

B. PROFILE OF NEW BRUNSWICK FILM AND VIDEO PRODUCERS

1. Income

Table 1 (Section II.A) shows a total income for independent producers of $1.21 million in 1985.

The enterprises having the highest income do not have an income greater than $500,000. Table 8, opposite indicates the distribution of principal producers according to their respective revenues.

Table 9

DISTRIBUTION OF INCOME OF FILM AND VIDEO PRODUCERS
(000)

	Feature Films		Short Films		Television Programs		Commercials		Industrial Products and Other Income		TOTAL
	$	%	$	%	$	%	$	%	$	%	
(1) Nouveau Brunswick 1985	0	0	55.5	4.6	300	24.7	377.8	31.1	481.6	39.6	1,215(3)
CANADA (2)	4,964	3.3	1,073	0.75	40,776	27.4	60,848	40.9	41,154	27.65	148,815

(1) Source: New Brunswick Film and Video Producers
(2) Source: Statistics Canada, 1983
(3) Total of respondents

By comparison with all of Canada, we conclude that:

- 100% of New Brunswick enterprises have an income of less than $500,000 while 84.9% of Canadian enterprises have an income of less than $500,000.

- The income of these enterprises is therefore, in general, not high and hardly differs from those found elsewhere in the country.

2. The Structure of Products

Table 9, opposite, illustrates the distribution of income of producers according to the various groups of products. The same table indicates the distribution which prevails at the level for the whole of Canada.

We have found that:

- The income of producers engaged in commercial or contractual products is significantly lower than that of other canadian producers.

- Commercials are the principal source of income of producers in Canada whereas they rank only as the second source of income for New Brunswick producers.

Such data confirms the "lack of balance" of income of New Brunswick producers in the commercial or contractual products sector.

- Our analysis of the market, on the other hand has already shown us, that this market has in large part been cornered by producers from outside of the province.

Table 10

ORIGIN OF INCOME
OF NEW BRUNSWICK PRODUCERS

(1985)

	%
New Brunswick	85.5
Outside of New Brunswick	15.5
	100.0

Table 11

INCOME OF PRODUCERS ACCORDING TO THE TYPE OF CLIENTS

	New Brunswick (1985)	CANADA (1983)
• Television	20%	22.8%
• Public Administration	31%	5.6%
• Industry	38%	17.5%
• Advertising Agencies		37.9%
• Distributors	11%	2.7%
• Educational Institutions		2.3%
• Others		11.2%
	100%	100%

3. Clients and Their Localization

Tables 10 and 11 show that:

- Approximately 85% of the income of producers comes from New Brunswick.

- The main clients of producers come from industry, and then the public sector organizations (31%).

- The principal clients of producers throughout Canada are the advertising agencies.

- The public sector represents less than 6% of the income of producers on a Canada wide level whereas it represents approximately 31% in New Brunswick.

From such observations we conclude that:

- The low level of income of New Brunswick producers from advertising agencies stems from their weak rate of penetration of the New Brunswick advertising market.

  This low market penetration may be caused:

  - by the relative weaknes of local producers;
  - by the lack of strength of local advertising agencies who are unable to corner the market and to serve it entirely.

- The New Brunswick public sector is an important partner of local producers in that a third of their income comes from this client.

Table 12

SIZE OF NEW BRUNSWICK PRODUCERS

(1985)

Number of Permanent Employees	Number of Businesses	Total Number of Employees (cumulative)
1	2	2
2	3	8
3	-	8
4	1	12
5	-	12
6	-	12
7	1	19
8	-	19
9	1	28
10 or more	-	-
		—
		28

4. Employment

Table 12 opposite demonstrates:

- The distribution of producers according to the number of employees.
- The number of jobs created by this industry.
- Of the eight most important production companies, none retain the services of more than nine employees.
- Twenty-eight full-time jobs are related to this industry. Taking account other businesses operating in New Brunswick on a part-time basis, the number of full-time jobs generated by this industry must be in the vicinity of 28 to 40 employees.
- The number of freelancers that may be used by this industry is, according to various sources, approximately 300 jobs/persons.

5. The Financial Situation of Producers

Table 13 overleaf indicates that for the principal businesses interviewed:

- The majority of producers are not profitable or are on the threshold of profitability.
- The majority of producers operate without adequate working capital.
- The total investment of the industry in fixed assets such as plant and equipment is in the vicinity of $1 million.

Table 13

THE FINANCIAL SITUATION OF NEW BRUNSWICK FILM AND VIDEO PRODUCERS

		Number of Companies in Sample
• Profitability		
- Profits		1
- Losses		7
		8
• Working Capital		
- Negative or insufficient		8
- Sufficient		0
		8
• Total Fixed Assets	$1 million	

Source: Coopers & Lybrand

6. Location

Almost all the principal producers are located in Fredericton or Moncton.

One major producer, Télé Acadie, operates in Bathurst.

7. Language

One businesses operates entirely in French, three businesses in French and English, and four operate in English only.

8. The Products

- Of all producers in operation, only one produces feature films.

- The majority of businesses in operation concentrate on commercials or industrial productions.

- Two producers, Carota Films and Télé Acadie are active in the promotion of television shows.

9. The Studios

The only studio operating in the province of New Brunswick belongs to an independent producer and is located in Moncton. Its work area is 2,000 square feet.

Table 14-A

PRODUCERS' VIEWPOINT
WEAKNESS ANALYSIS

- Contracts from outside of the province.
- Competition and the low support from the public sector:
  - SRC/CBC
  - Telefilm
  - Provincial government buying policy.
- Competition from television stations.
- Indifference of the private sector.
- Lack of cooperation between producers.
- Lack of training.
- Scriptwriters
- Plant and equipment.
- Financing of productions.
- Economic impact of the industry.
- Marketing of products.

C. THE SITUATION OF NEW BRUNSWICK FILM AND VIDEO PRODUCERS

We have examined the situation of New Brunswick film and video producers by analyzing:

- the viewpoint of the producers themselves;
- the viewpoint of the clients of the producers and of experts in the field.

1. The Viewpoint of Producers

The situation of New Brunswick film and video producers differs accordingly to each producer; nevertheless, certain common denominators are reflected in their concerns. The framework of the analysis that we have followed is indicated in Table 14-A opposite.

a. Contracts Outside of the Province

- Certain producers are upset to see contracts leave the province of New Brunswick and be given by their own government to outside firms, such as advertising agencies, independent producers and Nova Scotia, Quebec or Ontario T.V. stations. They deplore this situation especially because these outside contracts do not bring any economic benefits to New Brunswick producers. In general, no agreements of cooperation or co-production are signed between local and outside firms.

b. Competition and Weak Public Sector Support

- Access to CBC is difficult not only because of the purchasing policy of this organization towards independent producers, but also because of the evaluation criteria they apply to local productions.

- Certain producers mention that the amount collected by way of the surtax on cable, which serves to finance Telefilm, is not equivalent to the amount invested in New Brunswick by this organization. They therefore conclude that funds raised by the federal government are not being completely reinvested to support and develop their industry.

c. Competition of Television Stations

Certain independent producers are upset to see private television stations which benefit from a CRTC licence. They are therefore protected regarding the broadcasting of programs, and they compete directly with private sector enterprises involved in production. Occasionally they use to their advantage, cost transfer between their income from production and their income from broadcasting.

d. Indifference of the Private Sector

Certain producers believe that private enterprise in New Brunswick misperceives and entirely underestimates them. Some do realize however, that these problems are in large part the fault of their own industry which has been unable to promote its products and which sometimes, in the past, has failed to deliver the quality and professionalism which clients have a right to expect. These same producers therefore believe, that they are experiencing a period of catching-up in order to offset this negative reputation; they must develop and promote a market, which with all things considered, remains relatively unexploited.

e. Absence of Cooperation

Certain producers state that there exists no formal or informal contact between various producers. The Association of film and Video Producers of the Atlantic provinces in reality includes only one active member from New Brunswick. The majority of the other producers are neither members nor active in this association. By this fact alone, they have not developed any contact with other producers to discuss common problems which concern them at the provincial level. This lack of cooperation and group effort to find common solutions to improve their operations and their methods of functioning, constitutes a weakness on the part of the industry.

f. Training

The lack of training appears to be more or less acute depending on the individual views expressed by producers; many agree that a formal theoretical training is more dangerous than on-the-job training. They advocate the establishment of a recognized professional certificate which would provide employees, having received appropriate training, with specific professional recognition.

g. Scriptwriters

A major shortcoming seems to be found at the level of the development of "treatments" and of scripts. While everyone recognizes the existence of talented writers, (equally among francophones and anglophones), capable of creating ideas for projects, these same writers possess little experience in audio-visual production, and most often are oriented towards the written media.

h. Plant and Equipment

- The majority of producers, particularly of videos, possess their own production equipment but sometimes refer the post-production to Nova Scotia, Ontario or Quebec. They occasionally rent special equipment outside the province. The equipment though does not seem to be a major problem, considering the more important problems of the level of production, the financing of the production and the marketing of products.

- For feature film production, the problem is different as there exists only one New Brunswick producer that considers himself currently able to function with its own equipment. Other producers operating on an even more sporadic basis have used the N.F.B. or rented equipment.

- The principal problem regarding equipment, both for video and film, is the availability of material and the quality of the available material.

- Certain producers experience high equipment costs and for this reason find it difficult to become profitable within the framework of their current operations. The rental of equipment on a limited time basis is generally more expensive than the purchase of equipment that will be used at 100% over the course of a year; in the event that purchased equipment is used only rarely, then the assignment of capital cost to each project is difficult to establish and the renting option then becomes more advantageous.

i. The Financing of Productions

- The major problem, in the opinion of producers, is the financing of productions. This problem, less serious for contractual producers, is crucial for any producer interested in speculative products for television, (series, drams, variety shows, etc.), or for short and long feature films.

- Certain producers specializing in the production of commercials and industrial films, conclude that the only help they need is to have access to all government assistance programs to which manufacturers currently have access.

- For all producers involved in the production of feature films, short films, documentaries, series, television shows, etc., the problem of financing, (the "treatment" to the marketing stage), is a real headache at each step of the production process. They conclude that the financing of such products cannot be undertaken without the help of the government, which alone can assure the survival of the industry*.

j. A Definite Economic Impact

Producers emphasize that their industry is above all, labour intensive. This industry which indeed employs few permanent employees is capable of giving employment to groups of 50 to 60 people during periods of two to three months; the jobs are directly created in the province and

* True for all provinces.

Table 14-B

THE VIEWPOINT OF CLIENTS AND EXPERTS

IN THE FIELD

FRAMEWORK OF ANALYSIS

a. The Perceptions of Producers

- Lack of public recognition of producers
- Absence of integrated services
- Lack of experience
- Professionalism
- Weakness of scripts
- Final quality of the product
- Efforts to distribute in the market
- Financing and internal management
- Training
- Plant and equipment
- Satisfaction of the purchasing criteria of the client purchasers

b. Intrinsic Constraints of the Market

- Absence of a full service advertising agency
- Policy of the provincial government with respect to film and video.
- Competition from television stations
- Lack of confidence of potential clients
- The size of the market

quickly generate direct economic impact. They estimate that the creation of a job in their sector of activity is much less expensive than the creation of jobs in other industrial sectors and that the multiple effect of government investment in film production is double or triple that in other industrial sectors.

Furthermore, the economic impact at the distribution level is significant, not only in terms of employment, but also in terms of image for the producers and the province.

k. Marketing

Another concern of producers remains the distribution of their products. The majority of producers do not explore their markets and do not sell their products in a systematic fashion.

2. The Viewpoint of Clients and Experts in the Field

The analytical framework that we have followed is indicated in Table 14-B opposite.

The clients or the experts in the field are generally more critical of independent producers than the latter are of themselves.

a. Their Perception of Producers

- The Lack of Public Recognition of Producers

The producers are generally considered to be little known and poorly or insufficiently publicized. The industry is judged to be a reactive one and not an industry pro-active in its search for a market position.

- The producers work individually with little or no cooperation between different producers and there is no association within the province.

  The location of certain producers is considered a factor which explains the small amount of publicity and the lack of public recognition of some of them.

- Absence of Integrated Services

  Certain clients indicate that the producers must be able to offer a complete service from the script to the final product. They deplore the fact that the producers, because of an absence of physical facilities, of equipment, of post-production material, and of production techniques, cannot assure the one-stop service that client desires.

- Lack of Experience

  The lack of experience derives from the lack of projects, and the loss of projects stems from insufficient experience. This is the sad reality of the environment of certain producers who not only have little experience in the production of certain products, (commercials, etc.), but they have little understanding of the techniques and methods of communication, as well as the concept of the conception of advertising messages.

- Lack of Professionalism

A number of comments have been made concerning the lack of professionalism of certain producers. This weakness is demonstrated by:

- a non respect of deadlines;
- an absence of follow-up with clients;
- competiton with their suppliers or clients (e.g. TV stations);
- a sales technique that is oriented towards an agressive representation rather than a real attempt to understand client needs;
- absence of a code of ethics within the profession.

- Weakness of Scripts

The scenarios, treatments, story boards, are frequently judged to be poorly adopted to national or international audiences. The underlying reasons for this are:

- The tendency of certain producers to work in a closed environment with the same resource person.

- Styles of expressions which are too "specific" or "regional".

- The presence of scriptwriters more oriented to the written format than to the audio-visual, and the lack of scriptwriters for the audio-visual format.

- The limited amount of effort invested in the improvement of a script
  (e.g.: U.S.A = 20 script rewrites per film)
  (Canada = 5 or 6 script rewrites per film).

- Simply the deficiency of "projects" (e.g.: Telefilm: 23 projects financed in the Atlantic provinces of which only two were in New Brunswick).

  The poor quality of scripts is even more obvious in products which call for solid scripts, such as feature films, dramas, etc.

- <u>The Quality of the Final Product Is Sometimes Questionable</u>

  A limited number of talents (voice, models, etc.); messages which are not always well chosen; an absence of special effects, these are all factors which affect the quality and often prevent a product from achieving an acceptable level of quality.

  Form is judged to be as important as content in the final audio-visual product and producers do not always succeed in achieving a satisfactory combination of these two elements.

- <u>The Absence of Sustained Efforts in Marketing</u>

  The marketing activity which, as in any small and medium sized business, must be constant and sustained to achive success, is usually limited to a sporadic effort. The absence of the sales "function", (salesmen, marketing tools, etc.), within these enterprises leaves them vulnerable in the face of more agressive competitors from outside of the province.

- Financing and Internal Management

The financing of film and video productions is a major difficulty. The financing of operations:

- treatments,
- scripts,
- production,
- marketing,

and the financing of investments:

- equipment,
- plants,

are major problems for producers whose financial situation is often characterized by:

- the absence of guarantees,
- the lack of start up funds.

Producers, being financially weak, are often dependent upon their clients; they are often forced to work within the framework of very small budgets that are imposed upon them by the client, and which do not permit the development of a quality product.

- Training

The training of producers, as much in the management of their business as in the technical areas, can be improved. The closed environment in which many work isolates them from trends and new ideas.

The majority of experts and clients encountered estimate that training courses, in the form of workshops, apprenticeships, or courses at community colleges, would help to strengthen the technical and management abilities of producers.

- Plant and Equipment

Certain constraints emerge in production and these are related to:

- production equipment
- physical facilities for production
- primary materials
- post-production facilities.

New Brunswick, unlike its neighbours Nova Scotia and Quebec, is without:

- suppliers of primary materials
- complete post-production facilities
- equipment suppliers.

Production studios in New Brunswick belong to:

- television stations (private and public)
- private enterprise.

These studios have to this day failed to meet the needs of producers who use other facilities such as:

- Nova Scotia: Studio East, Halifax
- Ontario: Medallion, Toronto
  VTR Productions, Toronto
  PFA Film and Video, Toronto.

Table 15

THE SUPPLY IN MONTREAL OF CINEMATOGRAPHIC EQUIPMENT FOR RENT

(Film and Video)

1984

	Income from rentals (000$)	% of Income of the Industry
National firms (mostly film) PANAVISION W.F. WHITE	6 500 to 8 000	73
Other firms (mostly video) PMT Vidéo Intertel Images JPL Productions SDA Champlain	1 500 to 2 500	22
Supply of craftsmen (moslty film)	500	5
TOTAL INCOME	8 500 to 11 000	

Source: SECOR

As a general rule, the post-production facilities used by producers are outside the province:

-	Halifax	Studio East	special effects
-	Montreal	Sonolab	
		Télé Métropole	
		Ciné Lune	
-	Toronto	P.F.A.	video editing
		Magnetic North.	

It is among New Brunswick video producers that the lack of complete post-production facilities is felt the most.

The necessary equipment, (film and/or video), can be rented in Halifax, Ontario and Quebec (see Table 15 opposite). Is it preferable to rent or possess one's own equipment? According to the experts, and argument can be made for either of the alternatives. They conclude that the equipment owned by producers is slowly falling into obsolescence without being fully used, and that businesses do not generate funds to replace them.

- <u>The Response to the Purchasing Criteria of Buyers</u>

Producers must meet the <u>purchasing criteria</u> of their clients, which are, among others:

- price
- creativity
- quality (form and content) of the product.

The appreciation of these criteria is determined by the accumulated experience of the various producers. Those mentioned above are not always respected.

b, The Market Constraints

- The Absence of a Full Service Agency

In the opinion of many, the absence of a New Brunswick agency offering all services within the province itself causes indirect prejudice to New Brunswick film and video producers:

- Advertising contracts leave the province and productions are done outside of the province.

- Local agencies place production contracts outside of the province (conception of campaigns, production, etc.).

- Producers try to sell productions directly to potential advertisers without being aware of the complexity of communication strategies. For this fact alone they sometimes penalize themselves, with respect to their client, or they simply enter into competition with advertising agencies which should be their natural clients.

- The Policy of the Provincial Government Regarding Film and Video

Certain New Brunswick departments make their own productions, others place contracts with producers from New Brunswick or from other provinces. Certain

departments use outside facilities for their own production, or call upon outside contractors.

These various policies entail the following weaknesses:

- Internal production:

  - equipment is more or less adequate
  - personnel is more or less trained
  - the utilization rate of available personnel is not maximized
  - the government competes with private enterprise.

- Contracts outside of the province:

  - lack of support towards local producers who, on the other hand, benefit by obtaining grants from the same government.

- Contracts with local producers:

  - absence of a rational in the selection of suppliers, (no standard terms of reference or procedures for requesting proposals).

- Competition From Television Stations

Television stations compete with private producers and it is difficult to blame them for such a situation.

What must, nevertheless, be noted is that television stations possess teams of full time salesmen who explore the marketplace and sell in an asystematic manner, something which independent producers do not always do.

- The Non-confidence of the Potential Clients

Many businesses and organizations in New Brunswick are more confident in the capabilities of outside firms than in those of provincial organizations.

For this reason they place their contracts outside of the province without attempting to: encourage local producers, test them, or provide them with experience.

- The Size of the Market

The market in New Brunswick is small, moreover it is fragmented into two markets: the anglophone and the francophone market.

The success of a producer will be that much greater if he tries to make products of a national and/or international quality.

Products of a "speculative" nature must absolutely be oriented towards national and international audiences.

D. ASSISTANCE PROGRAMS AVAILABLE TO THE INDUSTRY IN NEW BRUNSWICK

1. The Programs Available at the Federal Government Level

These programs, which are presented in a detailed manner in Appendix I of the present report, include:

a. Programs Specific to the film and Video Industry

- Telefilm Canada
  - Development funds for the production of Canadian programs.
  - The program for the development of scripts and projects.
  - The production program.
  - The support program for various activities of the industry.
  - The assistance program for distribution and marketing.
  - The interim financing program.
  - The co-production program.
- The Capital Cost Allowance Program (CCA).
- The National Film Board (NFB).

- CBC/SRC.

- The Canada Arts Council

- The Multiculturalism Program (Performing and Visual Arts Component).

b. Secondary Level Programs

- Regional and Industrial Development Program (RIDP)

  The Regional and Industrial Development Program (RIDP) can support organizations whose principal activity is the making of copies of cinematographic films and of video tapes on a commercial scale. On the other hand, activities such as production, editing and the development of films and videos, the preparation of dubbed or subtitled versions, the creation of special effects, the operation of studio facilities or the rental of equipment, cannot be supported under the RIDP.

- The Export Market Development Program (EMDP)

  This program can apply to the activities of the film and video industry provided that admission criteria are met.

- Canadian Jobs Strategy (CEIC).

- Canadian Studies Program.

2. Available Programs in the Province of New Brunswick

a. Canada/New Brunswick Auxiliary Agreement for Industrial Development

Three programs constitute this agreement:

- Program 1 - The Development Climate and the Industrial Support Program

This program includes sub-programs which establish measures with the view of improving the climate for industrial development. It also aims reinforce to the management capacity of New Brunswick businesses by permitting better access to information and to commercial services as well as managerial techniques, e.g.:

Investment in Infrastructures

Objective: to encourage private sector investment in an infrastructure related to a particular site.

Admissible Applicants: applicants from the private sector described under the heading Definitions.

Admissible Activities: the development of infrastructures related to a particular site which will have, without any doubt, a considerable economic impact, in terms of jobs, and an increased productivity.

Admissible Costs: the fixed assets costs for developing the infrstructure described under the heading Definitions.

Financial Aid: up to 100% of costs admissible.

- Program 2 - Program for Industrial Diversification

The general objective of this program is to facilitate, and to accelerate, the process of attracting new private investment in New Brunswick. Ex.:

Strategic aid relating to investment

Objective: to accelerate the growth of businesses and industries which are a part of strategic sectors of the New Brunswick economy.

Admissible Applicants: applicants from the private sector described under the heading Definitions.

Admissible Activities:

- The admissible activities are those which do not ordinarily come under existing government programs.

- Projects for the creation of new high tech businesses which can make a sizeable contribution to the acceleration of the growth of the high technology industry, but do not offer a high enough return on investment to be of sufficient interest to the investor.

- Investment projects that can greatly contribute to assuring the stability and expansion of high technology industries in New Brunswick. Specialized service businesses and manufacturing businesses are admissible.

- Research and development activities of recently created high tech businesses. Also admissible are those businesses whose products are not yet fully established in the marketplace, or whose line of products is not complete.

- Program 3 - Programs for the Development of Markets and of Commerce

The objective of this program is to reinforce the potential for commercialization of New Brunswick businesses and to develop the export of New Brunswick products on the national and international market. e.g.:

Planning and establishment of markets

Objective: To develop and to reinforce the potential for commercialization of small and medium sized businesses in New Brunswick.

Admissible Applicants: a private business described under the heading Definitions, which does not employ more than 200 people full time and whose revenues do not exceed $10 million.

Admissible Activities: the elaboration, by competent management consultants, of business plans, more particularly:

- the modification by a competent management consultant of an existing business plan to take account of, for example, a new geographic region or considerable changes in the market or in the competition;

- the preparation of business plans covering prospective international markets despite the absence of an interior market;

- exploratory business trips;

- the identification of appropriate products and markets;

- the establishment of a development strategy.

Setting up a business plan involves:

- slight changes in products and the improvement of packaging;

- technical support documents and advertising;

- test marketing;

- for the purpose of this secondary program, advertising that refers to market tests;

- participation in events related to marketing profits.

The manufacturing and processing activities which are admissible under these three programs are:

- the production of advanced software:

- the processing of mineral concentrates by roasting, washing or melting to produce metals;

- the processing of pulp and paper into cardboard or into paper;

- the processing of materials resulting in an important chemical change to the principal component of the processed material;

- the application of biological agents to the treatment of materials, by way of scientific operations or innovative techniques, for the purpose of producing goods and services;

- the use, not on a farm, of an air-conditioned warehouse forming an integrated part of sorting and packing activities;

- the washing and sorting of oysters as well as the washing, sorting and automatic cleaning of other shell-fish, including holding basins and the required cold storage;

- the manufacturing of nets, and related repairs, on the condition that these activities be independent and without affiliation;

- the production of maple syrup, which may necessitate the use of conduits for collection, of equipment for evaporation and completion, and installations for allied products;

- the use of studios for audio-visual recording or video of commercial products;*

- the use of production equipment that is required for full time artistic activities;

- the production of combustibles, coke or gas, and which may include processing sawdust, bark, solid detritus, turf or shale-oil coal, for the purpose of producing goods or gas having an added value. This does not include crude oil refining;

- repair or maintenance activities assuring direct service to producers and manufacturers.

b. Department of Commerce and Technology

- Commercialization Programs

  - Trade delegations on domestic and foreign markets,
  - Commercial fairs,
  - Foreign buyer delegations.

- Investment Assistance programs.

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* No other activity is currently considered under this program.

III. ANALYSIS OF COMPARABLE CASES

A. MANITOBA

1. Independent Producers

- Eighteen companies were in operation in 1986.

- A constant increasse of their income since 1978 has been noted; this income is:

Year	Number of Copies	Estimated Total Income ($)
1978	9	1,037.435
1979	10	1,197,030
1980	11	1,670,532
1981	11	1,446,436
1982	12	2,481,497
1986	18	3,633,159*

- According to certain estimates made in 1981, the nature of their products were as follows:

- Feature film	2.9%
- Short film	0.0%
- Television programs	2.3%
- Commercials	51.9%
- Industrial and educational	39.4%

---

* Projected income (according to a rate of increase of 10% annually.)

- Clients may be regrouped in the following manner:

- Federal	7%
- Manitoba (government)	5%
- Other provinces	27%
- Private sector enterprises	61%

- Fixed assets belonging to the industry were evaluated at $1.3 million in 1982.

- Thirty-nine full time employees, in addition to 135 freelancers, were employed in this industry in 1982.

- The industry is concentrated in Winnipeg, a city with a population of approximately 600,000.

2. The Problems of the Manitoba Film and Video Industry

Two schools of thought oriented towards two specific types of activities must be considered with regard to this industry:

- those producers oriented towards commercial and industrial production;

- those producers oriented towards theatrical and artistic productions.

Of the 18 principal iproducers in the province, 3 or 4 may be judged viable, 5 or 6 just survive and the others are considered as economically marginal. The principal concerns of Manitoba film and video producers are:

- They consider that there is talent available in Manitoba, but that this talent needs "Advanced Skills Training".

- The industry is too reactive and not pro-active.

- The first act of collective responsibility taken by the industry was its involvement in the analysis of its problems. (The report on the industry was the work of the principal producers of the Manitoba Association of Independent Film, Video and Audio producers).

- Contracts are leaving Manitoba and certain producers must face up to producers from Ontario, British Columbia and Quebec.

- Major productions in Manitoba occasionally need to import professionals from other provinces who are more qualified, such as directors, editors, etc.

- The francophones of Manitoba make up a narrow market and the eventual withdrawal of Radio-Canada and the National Film Board would result in the loss of resources that are currently available.

- Equipment is a major problem for some; for others, the unavailable equipment is sometimes unnecessary. The new markets, however, will require better quality products at a lower cost; this problem is particularly acute in post-production.

- The equipment problem is judged to be less important than that of development of new markets and of the increase in production.

- Relations with banks to obtain financing is difficult and bankers do not seem to understand the needs of producers.

- The industry in Manitoba has had, and continues to have, several commercial and cultural successes, primarily with animation, television dramas and short films (Winnipeg Film Group, CKND, etc.).

- The reputation of Manitoba producers is slight, both within, and outside the province.

- The industry is divided and there is little exchange between its members. The effect of cooperation is minimal, a "take off" of the industry as a whole is difficult.

- The absence of an educational environment is damaging to the industry as this education would play an essential role in linking the industry and the art it represents.

- Writers and musicians are not a rare commodity in Manitoba, and they are more interested in any type of training that would allow them to work in film, video or audio productions.

In this context of the concerns of various producers, they have identified three challenges:

- to improve product quality;
- to increase their visibility;
- to raise the level of production.

Cooperation would have the effect of a catalyst among the various members of the industry, more easily pointing the way to the above mentioned objectives.

Four major areas have been defined by producers to respond to the objectives that they have set for themselves:

- Education,
- Market development,
- Financing (Production),
- Equipment

Besides the specific concerns of film and video producers in Manitoba who, in addition to other concerns, seek control of an organization which would manage and direct all forms of assistance given to the industry, other observations emerge from the general environment:

- Manitoba suffers from being in the shadow of the large decision and financial centres, such as Toronto, Montreal and Vancouver.

- Manitoba does well with subjects based on its natural characteristics: prairies, Indians, pioneers, isolation, etc., authors (e.g.: Gabrielle Roy).

- Survival is a daily struggle for companies oriented towards artistic productions and working on speculative products.

- It seems that there are sufficient creative and artistic resources in Manitoba. The scripts and authors as well as talented directors adequately meet the demand.

- The NFB is present and has an important influence in Manitoba. The community deplores the lack of activity of the CBC and the little interest Telefilm has shown in Manitoba.

- The governments, federal as well as provincial, encourage all minority concerns in Manitoba.

- Manitoba has built a solid reputation on the awards won by the Winnipeg Film Group, CKND, etc.

  - The Winnipeg Film Group is a cooperative of independent producers whose major activities include the lobbying of various governments, distribution of films, organization of seminars and participation in film festivals around the world. The Winnipeg Film group is internationally known and regularly participates in European film festivals; their films are in a specific slot that does not have a commercial dimension.

  - Contrary to the Winnipeg Film Group, CKND believes that its productions should be client oriented. The products are directed towards mass consumption and compete with American series. CKND, an independent television station, has won more than 70 awards with its productions, the majority of which are dramatic series. CKND prefers to make its production internally as this gives them greater control over quality, content and production deadlines.

In conclusion, based on the comments of the principal resource persons encountered in Manitoba, and an analysis of the primary objectives of the Manitoba Film and Video producers as was revealed during hearings of the Inquiry Commission on Film and Video, several points can be made. It is evident that this industry, divided between "contractual" and "speculative" producers, has succeeded over the course of the last few years in earning a reputation primarily for its speculative productions (dramatic series, animation). Meanwhile, two "contractual" producers have taken control of the audio and post-production market; Wayne Finucan, and of video; Spectra Video. Their competitors are now Toronto and Vancouver based companies.

3. Specific Existing Provincial Programs

a. Policies

In February of 1985, the government of Manitoba decided to support the growth of its film and video industry. The strategy adopted to establish this policy is the following:

- Ensure that Manitoba film and video industry develops to assure the production and efficient distribution of Manitoba cultural products.

- Encourage the development of the film and video market in Manitoba by first ensuring access to local markets.

- Create an environment and an infrastructure which encourages video and/or film production that reflect the cultural diversity of the people of Manitoba.

- Use a range of complete public sector initiatives that emphasize at the same time the market and the production.

b. In June of 1984, Canada and Manitoba signed an auxiliary agreement for the regional economic development of cultural and communication enterprises. A five-year program with a $21 million budget was established to stimulate development of the film, video and audio industries of Manitoba.

The Programs

i. Manitoba Centre, Heritage and Recreation (Cultural Industry Branch)

Film Manitoba was created in May of 1985. This assistance program for the film and video industry is for a period of 4 years and was set up within the context of the development of cultural enterprises as part of the auxiliary agreement. It provides access to three programs established to strengthen film and video production in Manitoba.

Those three programs are:

- to encourage the development of scenarios by writers who can demonstrate their abilities to develop a script.

- to assist production companies in Manitoba in the developing, promoting and selling of their projects with the objective of providing easier financing for their production.

- Support Production Program

  - To stimulate cultural productions and to ensure that independent producers in Manitoba have access to the necessary capital for their productions.

- Marketing and Distribution Program

  - To assist eligible production and distribution companies in promoting and distributing their productions/projects.

The total budget for Film Manitoba is $3.5 million; at the end of one year $400,000 worth of investment had been granted thereby permitting the development of a production activity of $1.2 million.

ii. Manitoba Arts Council

The Manitoba Arts Council is a provincial organization which had been created to support and develop the visual arts in Manitoba. The Manitoba Arts Council gives grants for the purpose of encouraging and assisting in the creation and the production of films by Manitoba producers.

The three existing support programs are:

- Production Grants:
  - Given to professionals who have established a reputation in the industry (annual budget of $60,000).
- Film Development Grants
  - To support the development phase of films, videos and more particularly of scripts (annual budget of $20,000).
- Short-Term Projects Grants
  - To assist in the production of very low-budget films and videos of inexperienced artists (annual budget of $3,000).

iii. Manitoba Industry, Trade and Technology (Trade Branch)

- Commercial fairs, etc.

iv. Manitoba Business Development Corporation

- Venture Capital Program
  - Two areas of activity: development of studios and film production.

B. NOVA SCOTIA

1. Independent Producers

- Approximately 16 companies are presently operating in Nova Scotia.
- Their estimated income is in the vicinity of $3.2 million.
- The industry employs 300 full time or part time persons.
- 60% of the revenues generated by the industry come from the commercial sector.

2. The Problems of the Film and Video Industry

The primary concerns, expectations and suggestions of film and video producers in Nova Scotia were underlined during the course of the inquiry held in 1984 by the joint committee comprising members of the public sector and of private industry. The principal concerns and expectations of the producers were:

- The financing problems encountered primarily with respect to productions of a "speculative" nature such as television productions, feature films and short films. The problem seems even more acute for young producers seeking financing for new productions.

- The difficulties encountered in the marketing area is a common problem as much for "speculative" productions, which once completed, must be promoted to their potential buyers, as for "contractual" productions, where marketing and research of new products is essential.

- The lack of training and of education causes the exodus of many people from Nova Scotia who are interested in acquiring the level of experience and of competence necessary to compete in a professional manner.

- One of the great difficulties of Nova Scotia producers is selling their own products and services within the province. As such, government departments and agencies have spent more than $1.1 million in 1982-83 on films and videos produced internally through co-production arrangements with the CBC or independent producers from other provinces. Only a small part of governmental budgets was contracted out to local independent producers.

- Producers are frustrated and upset by the absence of a "contracting out" policy in this area. These producers are also upset by the absence of an official government purchasing procedure providing guidelines for requesting proposals, and for inviting in a systematic manner Nova Scotia producers on all such projects.

- In general, Nova Scotia producers believe that the availability of production and post-production equipment, and access to laboratory services, do not represent a major problem. Nevertheless, a number of producers believe that a studio could greatly facilitate the work of certain production companies. However, totally equipped studios such as those of the CBC and of CTV in Halifax can occasionally be rented or made available to independent producers.

- The producers of speculative productions in Nova Scotia are concerned by the access of their productions to Canadian theaters. The only recommendation that they can make is for their government to participate in discussions with the federal government in order to establish a national distribution policy for Canadian productions in Canada.

- Independent producers are upset by the lack of activity of Telefilm Canada and the National Film Board in the Atlantic Provinces. The reason is that because the Broadcasting Fund draws its revenues directly from the tax imposed on the cable industry, this must mean that a large part of the revenues coming from the Atlantic Provinces is being used to finance productions outside of this region. It appears that the amount drawn by Telefilm Canada from the Atlantic Provinces is not re-invested in the same proportion in production in these provinces.

Besides these expectations and concerns expressed by the Nova Scotia producers, other comments and observations have been made by more neutral experts. Among the principal observations made are:

- Nova Scotia producers are generally not well known in the milieu.

- The reputation of the Nova Scotia producers is mitigated; it can be good and appear much more negative to others, primarily those involved in speculative productions for television.

- The education of the majority of producers is non-formal and few among them possess technical training or management skills.

- The demand in terms of training and education will never be strong enough in Nova Scotia to allow for the establishment of a complete and formal program that can be offered to all producers. The solution is to be found in the availability of grants allowing personnel who want technical training to obtain such training from outside their province.

- The majority of companies involved in commercial production will survive; government aid will always be there to help those involved in speculative products and will help those who would not otherwise survive without this help.

- The majority of producers involved in speculative products must struggle to find the funds to finance their projects. Once the production is complete, they must once again struggle to have it distributed and to try to make money by showing their films in theaters and elsewhere.

- A number of freelancers are available in Nova Scotia, but many have left for the Ontario market.

- The absence of a union greatly facilitates the work and the creation of production teams.

- Creative talent and technical skills are available in Nova Scotia, but what is missing the most in this industry are leadership and entrepreneurship skills.

3. Current Specific Provincial Programs

a. Policies

The government and private enterprise joint committee which studied the industry in 1984 recommended improvements in areas such as production, marketing, promotion and training.

- The report included as a recommendation that the government satisfy its own requirements through the private sector. A new purchasing policy geared towards Nova Scotian producers has since been implemented.

- It was proposed that Telefilm Canada open an office in Nova Scotia. This was done in 1984 when Telefilm Canada located permanent staff in Halifax.

- The same report recommended that the industry and the government hold joint discussions with federal representatives on actions to be taken to assure a better distribution and greater broadcasting of Canadian productions in Canada. The principal recommendation of the report was for the creation of such an agency which would become the spearhead of the film and video industry in Nova Scotia. It is now before the provincial cabinet.

b. Programs

i. Department of Culture, Recreation and Fitness

The mandate of this department is to encourage, develop, coordinate and implement programs and cultural services beneficial to the whole province. The cultural affairs division offers services that range from historical resources to arts and cultural industries. This includes the development of a film industry in the province.

Until now, the department has had minimal impact since its budget is limited to $100,000. The aid is provided to production companies or to scriptwriters for the purpose of developing scripts. An assistance program has also been implemented for scriptwriters and experienced film producers so that they may have the opportunity to undertake short term apprenticeship training programs. The department has provided long term support to the Atlantic Provinces film producers cooperative and to an art tapes centre. The department has also provided financial assistance to the Atlantic Festival (film and video) held in Halifax each autumn. The same department also provides funds for the Nova Scotia Resources Centre, a project begun in 1979. This centre which is directed by the Maritime Division of ACTRA has three objectives:

- to encourage the making of films in the province;
- to assist local producers;
- to increase the job opportunities of ACTRA members.

Another role played by the department has been to coordinate and to assist other provincial departments in the search for funds to finance films which have good potential development.

ii. Department of Development

o Market Development Center

Assistance for Nova Scotia firms which develop markets for their film and video products is available, including consulting services on marketing and sales plans. Financial assistance for visiting markets and participation at fairs and exhibitions is available through the business expansion program.

iii. Public Investors

- Small Business Development Corporation

  This corporation offers financing to small businesses getting started, growing and for modernization. the corporationg rants term loans guaranteed by assets and other guarantees for all kinds of businesses with less than $2 million revenue and less than 50 employees.

- Nova Scotia Venture Corporation Board

  Venture corporations are searching for opportunities to invest money in companies as defined in the "Venture Corporation Act".

C. QUEBEC

1. Independent Producers

- 119 production companies were in operation in 1983, representing approximately 23% of Canadian companies active in this industry.

- The revenues of Quebec producers in 1983 had risen to $45.6 million, as compared to $43.8 million in 1982.

- The distribution of revenues in 1983 for Quebec producers were as follows:

- Feature films	$ 7,769	9.3%
- Short programs	174	0.4%
- Television programs	13,089	32.45%
- Commercials	17,685	43.85%
- Industrial and educational	5,612	13.91%
Total	$44,329	100.00%

Table 16

THE SUPPLY OF MONTREAL STUDIOS
(February, 1985)

	Approx. Surface ft^2 (Number of studios)	
PRIVATE BROADCASTERS		48 800 (11)
Télé-Métropole	37 400 (8)	
Champlain	11 400 (3)	
PUBLIC SECTOR		47 000 (10)
Radio-Canada		
Maison Radio-Canada	31 400 (7)	
CIR	8 600 (2)	
NFB	7 000 (1)	
INDEPENDENT SECTOR: STUDIOS ASSOCIATED WITH ...		21 800 (6)
Production houses	9 900 (2)	
Video service houses	7 900 (3)	
Equipment rental houses	4 000 (1)	
TOTAL		117 600 (27)

Source: SECOR

- The revenues of post-production enterprises in 1983 were:

	($000)
- Printing of films	$ 7,198
- Development of films	1,373
- production services	7,239
- Other	1,218
Total	$17,028

In 1983, Ontario had revenues of $49 million for the same services, and for all of Canada, revenues were $74.5 million. In 1983, Quebec and Ontario drew 88.6% of post-production receipts with 80 businesses. Only one independent post-production business was listed in the Atlantic Provinces in 1983.

- The supply of studios in Montreal is significant with a total square footage of approximately 120,000 (see Table 16 opposite).

2. The Problems of the Film and Video Industry

Squeezed between public sector organizations solidly implanted in all audio-visual sector, private broadcasters who are used to producing "in-house" the major part of their Canadian content requirements, and acquiring foreign productions for the balance of their needs, Quebec independent producers must constantly struggle to survice. In the different spheres of cinematographic and audio-visual production in Quebec, the public sector organizations are omnipresent. The federal government, through Radio-Canada and the National Film Board, the Quebec government, essentially through Radio-Quebec and the various departments which employ more than a hundred

professionals for internal production. Although periodic, each of these bodies and departments calls upon the private industry. The situation evolves very slowly for the latter which is not sheltered from signifidcant set-backs.

The Société Radio-Canada produces for broadcasting, in French, in Canada, approximately 3,700 of its 4,000 hours of annual Canadian content. Radio-Quebec, for its part, allocates only 10% of its regional programming to independent Quebec productions. With respect to the large private television companies, notably the principal stations of the TVA and CTV networks, they have been very resistant to policies promoting outside product in cooperation with the independent sector. They have done so only when such policies are supported with significant funding by the Department of Communications through the Board East Fund administered by Telefilm Canada.

The Quebec Association Film and Video Producers (APFVQ) has defined five specialized sectors of activity, each with its specific needs. These sectors are:

- Feature films,
- Television (feature films and series),
- Advertising,
- Audio-visual and industrial documentaries,
- Limited ipartnership films.

When considering these five product groups, the dominant sector remains that of advertising. The other sectors, and primarily the sector of feature film production; are sectors which essentially owe their survival to the financing profived by the various levels of government. Thus, although there is a sense of euphoria in the Quebec film and video industry and particularly in the area of feature film production, there are fundamental problems at the level of the production houses which must continue to aggressively meet the competition of the Ontario production houses.

The position of Quebec production houses was established in relation to those of Ontario and this as a function of the opinion of potential clienteles. The principal characteristics which emerge are the following:

- Quebec has excellent artistic resources, particularly actors, writers and musicians.

- A clear technical improvement: this technical improvement has been noted more specifically in the last few years. Advertisers working for businesses with head offices in Montreal have particularly noticed and appreciated this evolution and seem satisfied with the current technical quality offered. Certain Toronto advertisers, however, continue to believe that better quality is achieved in Toronto.

- A strong and unyielding labour union structure: the majority of participants (agencies and advertisers) deplore the number of union problems in the production sector. This criticism constitutes a principal concern of advertisers and representatives of advertising agencies that is encountered.

- The problem of the distance between Montreal and the decision-making centres (head offices) located in Toronto constitutes a serious disadvantage to Quebec producers.

- A poor technical expertise in Quebec in certain sectors (special effects in particular) has been perceived by numerous potential clients who prefer working in Toronto or even in New York.

Thus, many Quebec production houses would be more competitive if:

- they concentrated upon producing commercials and not diverted their efforts and their positioning towards artistic productions;

- they improved the quality/price relationship,

- they would be more aggressive in their selling and marketing efforts, emphasizing their distinctive strengths.

This analysis, recently conducted on Quebec producers, also clearly points out the tendancy for Quebec producers. They find greater prestige and interest in productions of a speculative nature than productions that concentrate on advertising material which is more commercial but also more lucrative. The orientation of numerous Quebec producers towards feature films and dramatic productions requires the maintenance of the financial backing of various levels of government. These government agencies must support and encourage a speculative production, not always of international stature, must compete in a very narrow francophone market.

The following comments made by representatives encountered in the field may be added to these various problems:

- While there exist many types and levels of training such as universities (UQUAM, Corcordia) and colleges (Lionel-Groulx, Vieux-Montréal, St-Hyacinthe, Jonquière), the representatives in the field complain of the lack of technical training of the graduates and the poor adaptation of this training.

- The feature film industry in Quebec must develop a more commercial outlook (e.g.: The Decline of the American Empire) and the industry must aim closer to consumer expectations.

- Talent seems to exist in Quebec but the main problem is the market size.

- Some believe that producers must improve their productivity, attempt to be more competitive and concentrate to a greater extent on the production of commercials, which proves to be a fertile ground for improving technical skills.

- There presently exists a shortage of manpower in Quebec, caused by a recent over-supply of work (15 feature films in production plus approximately another 15 American films being shot in Quebec). Everyone works on feature films because:

  - contracts last longer and are more stable;
  - there is more "glory" in the industry.

- The U.S. film industry is finding Montreal to be an attractive location for film production because of the following elements:

  - the Canadian dollar,
  - lower rates for freelancers,
  - Montreal is an ideal site and, at the same time, one can recreate both the United States and Europe,
  - bilingualism,
  - qualified manpower.

- The last two or three years have been exceptional for the film and video industry in Quebec. Many believe that this is an artificial situation because, "when the government money will have been spent, no more will come".

- In the past, Quebec feature films had little success abroad, but more recent productions (1985 and 1986) seem to have achieved a level of quality which permits international penetration (e.g.: The Decline of the American Empire, La Femme de l'Hôtel, La Guerre des Tuques, etc.).

- Training in the industry in Canada is generally weak:

  - few schools; mediocre and insufficient;
  - need and necessity of a professional school (a start; Canadian Screen institute in Edmonton);
  - this education must be central.

- The government believes that it must continue to help this cultural industry, without which the province would be drowned by American productions.

3. Existing Specific Provincial Programs

a. Policies

The Cinema Act. C-18, promulgated in 1985, defines the policies and measures related to the Quebec Film industry. The department of Cultural Affairs was made responsible for applying such a policy and the L'Institut québécois du cinéma became the principal organization empowered with administering five programs offering some $4 million per year of assistance.

In January of 1981, the government formed the Study Commission on Cinema and Audio-Visual. Its report, submitted in September of 1982, recommended:

- an increased financial support for the industry;
- the creation of five new government structures relating to the industry;
- the establishment of measures limiting the distribution of films by non-Canadian companies and the release of films in a language other than French;
- measures to assure the development of the industry.

This report served as a basis for the drafting of Bill 109 (Cinema and Video Act) approved on June 23, 1983.

b. The Organizations Created by Bill 109

i. L'Institut québécois du Cinéma

This institute comprises a Board of Directors of twelve members representing all of the diverse facets of the film and video industry.

This institute's responsibility is to advise the minister on the development and implementation of a policy for the cinema industry. The Institute's role is also to determine the objectives of La Société générale du cinéma, while respecting the functions that had been conferred on it; it idetermines the assistance program and approves the programs of the Société générale and conducts relevant research in the area of film and video.

ii. Société générale du cinéma

Bill 109 conferred on La Société générale du cinéma of Quebec the role of providing financial aid to the film private sector, from the funds which the government currently directs to this sector following the assistance plan, the programs and the standards established in conformity to the Act.

The Société administers four principal programs of assistance to the Quebec cinematographic industry:

- Assistance Program for Project Development

  The program aims to encourage the development of cinematographic projects while linking creators to the risk and the economic life of the product. The Société can invest at different stages of the development of a project including the following stages:

  - option and acquisition of rights,
  - writing of a script,
  - re-writing of a script,
  - financial set-up of a project before the production stage.

- Production Program

  This assistance program comprises four components:

  - fictional feature films,
  - short and medium length fiction films and feature films,
  - short, medium and full length documentaries,
  - television films.

- Distribution Assistance Program

  This program comprises six components:

  - assistance to the releasing of Quebec productions,
  - assistance to distribution companies: secondary markets,
  - assistance to distribution companies: commercial theatres,
  - assistance to export companies,
  - assistance to development companies,
  - assistance to general distribution.

- Promotion and Support Assistance Program

  This program comprises four components; firstly, the promotion of Quebec film so as to improve its image and its reputation through the use of opinion surveys and promotional activities, the participation in national and international gatherings and financial support to magazines and periodicals covering film and video productions.

  The second component is aimed at the promotion of Quebec cinematographic events, while the other two components relate to training assistance and support of the technical sectors of this industry.

- Financial Incentives for Continuity, Quality and Success

  The Société provides special financial incentives for continuity to scriptwriters and to directors, for the quality of Quebec films, for the successes of Quebec production companies, as well as for the successes of Quebec distribution companies.

In 1984-85, the Société obtained budgetary credits of $9.5 million from the Quebec government, using $9.7 million in 1985-86. The total real amount invested in 1984-85 by the Société général du cinéma was $11.2 million.

iii. The Régie du Cinéma (Cinema Board)

The Régie du cinéma is responsible for the classification of films and for the granting, renewing and suspension of licences to distributors and theaters. The Régie supervises and controls the sale, rental, loan and exchange of video material. In Quebec legislation administered by the Régie also specifies that any distributor receiving a permit to distribute films must invest 10% of his gross revenues, drawn from rentals, into Quebec films.

c. Government Agreements

Quebec and Alberta have signed an agreement on film and video concerning promotion, development and production. The agreement includes a grant from the Quebec and Alberta governments and defines terms of cooperation between the Société générale du cinéma and the Alberta Motion Pictures Development Corporation. This will help to stimulate information exchanges and professional training as well as to develop co-productions.

d. Other Programs

- Capital Cost Allowance

  The Province of Quebec permits a capital cost allowance of 50% for individuals investing in Quebec productions.

- Ministry of Foreign Trade:

  - Assistance for the promotion of exports (APEX),
  - Trade delegations,
  - Courses and seminars,
  - marketing management programs.

- Société de développement industriel du Québec (SDI) (Quebec Industrial Development Corporation):

  - Export Programs

    . creation of consortiums,
    . assistance to identify new markets,
    . financing of exports.

- Quebec-Canada Auxiliary Agreements (REDE)

  The governments of Quebec and Canada signed an auxiliary agreement within the terms of reference of the REDE to promote the development of cultural infrastructures in Quebec in the area of film and video production and of museum sciences. Under the terms of this five year agreement, the two governments will invest a total of $40 million in various initiatives including among others, the Cité du cinéma in Montreal, and other programs related to the industry's activities.

Table 17-A

A COMPARATIVE ANALYSIS OF FILM AND VIDEO PRODUCERS OF VARIOUS PROVINCES

	New Brunswick	Manitoba	Quebec	Nova Scotia	CANADA
• Population (1981)	696,403	1,013,700	6,369,070	839,800	24,343,181
• GIP ratio	1.75%	3.73%	22.79%	2.16%	100%
• Number of independent producers (1985)	11 (1)	18	119	16	489
• Number of full time employees (1985)	28	39	344	N/A	1,271
• Total revenues of producers (1985)	$1,215,000	$3,633,159	(2) $40,329,000	$3,200,000	$174,004,000
• Revenues (3) from television advertising of stations (1984)	$22,633,097	$32,945,250	$206,994,770	$27,293,500	$794,000,000

(1) In production
(2) 1983
(3) Constant dollars

IV. THE PROBLEMS OF NEW BRUNSWICK PRODUCERS

A. THE SITUATION OF PRODUCERS IN NEW BRUNSWICK COMPARED TO OTHER PROVINCES

Table 17-A opposite shows the different comparative ratios between the provinces of Manitoba, Quebec, Nova Scotia and New Brunswick. From this table, we can draw the following observations:

- The industry in New Brunswick is small and is not as large as it should be relative to the Canadian context. The total revenue of the Canadian industry is $174 million; based on its GIP, the industry in New Brunswick should have revenues of at least $3 million.

- The situation of Manitoba is similar with revenues of $3.6 million when its level of economic activity should permit revenues of at least $6 million.

- Quebec and Nova Scotia seem to have the part they deserve of the total Canadian industry.

Table 17-B following shows the various aspects of the programs developed by Quebec, Manitoba and Nova Scotia to stimulate their respective industries.

This comparative analysis demonstrates that:

- The programs have been oriented primarily towards products of a speculative nature.

- The amount of assistance awarded by each province to its industry is substantial and is greater than $750,000 per year for each province (based on the amount advanced for Nova Scotia).

- A specific body is responsible for the administration of programs.

- Cultural and economic impact result from these programs.

B. THE SPECIFIC PROBLEMS OF NEW BRUNSWICK PRODUCERS

The weaknesses of the new Brunswick film and video industry are similar to that found among the producers of the three other provinces analyzed, with the difference that:

- The industry does not yet have recognized and respected leadership and success stories.

- The industry is not structured and is poorly organized to promote its development.

- Its market is limited, through viable.

- The clients (government and private sector) do not encourage their local industries.

- The lack of experience and, for some, the low degree of professionalism are specifid characteristics of this industry.

- Facilities for production and post-production are limited, if not non-existent.

- The industry's reputation even among its own clients, is not always positive.

- The "speculative" sub-sector of the industry has not taken off and has only generated small revenues.

- The "contractual" sub-sector has barely penetrated the lucrative advertisements market.

- New Brunswick advertising agencies do not play the role of creators and suppliers that agencies of other provinces play.

Producers have problems which are specific to their group.

1. Contractual Producers

In general, contractual producers are engaged in the production of commercial, promotional, educational or industrial type products and are motivated by business and profit objectives.

Their specific needs in the short term are:

- access to projects and to contracts available in the province;
- financing for the expansion of their activities;
- better access to post-production facilities in the video sector.

2. Speculative Producers

Speculative producers are more involved in projects entailing financial risk. These producers must speculate or risk their money in the hope that the project will eventually permit them to recover their investment costs or attain a cultural success. This would be one form of profit from the funds invested by Telefilm, etc. Feature films, documentaries and television productions are the principal products of this group.

This group of so-called "speculative" producers could itself be divided into two sub-groups:

- The first sub-group whose primary interest is art, creativity, etc., and simply seek on a simple financial return, and especially, the recognition for a product that would permit them to get involved in another project.

- The second group includes those whose primary motive is profit, after which, is the recognition of their abilities. The second group normally tries to produce commercial successes for the television market and for movie theatres.

Their specific needs are:

- projects or ideas for scripts,
- development funds (seed money),
- technical support and training,
- air time for the broadcasting of their products,
- financing.

V. DEVELOPMENT STRATEGIES FOR THE NEW BRUNSWICK FILM AND VIDEO INDUSTRY

A. THE IMPACT OF THE INDUSTRY

1. The Impact of the Industry

The New Brunswick film and video industry is an under developed industrial sector but the potential for growth exists since:

- Presently, the industry does not meet the needs of the current market demand;
- The potential for future growth of the market for film and video products is significant due to the multiple potential applications of these products.

The economic potential of this industry is currently under-exploited and its impact will grow with the growth of the local markets, (presently poorly represented) and of the national markets.

Moreover, the film and video industry is labour intensive, needing only small investment in fixed assets.

2. "Social and Cultural" impact

The film and video industry is part of the communications industry and its products are the most effective communication tools, both for the present and the future.

In this regard, the industry is viewed as:

- a modern and high tech industry;
- an industry reflecting the image of the province and its culture;
- an indudstry of products for export, both nationally and internationally.

Taking account of this viewpoint, such an industry can be a means to develop and strengthen:

- the reputation of the province,
- its cultural differences,
- its progressive and avant-garde attitudes.

The film and video industry could permit New Brunwick to depart from its image as being a far-off Atlantic Province where fishing and potato farming are the dominant activities.

The indirect impact generated by this industry can affect the image of businesses operating in New Brunswick: the more New Brunswick stands out as a province on top of new industries, the more its companies and businesses benefit.

The Decline of the American Empire, produced in Quebec, is a production which presently serves as a commercial ambassador for the Province of Quebec:

- o on the national level (two prizes in Toronto in 1986),
- o on the international level (Cannes 1986, New York),

from which all economic participants can benefit.

Some of the industry's musicians and theatre personalities have already gained a regional reputation. Certain writers are becoming known. This pool of artistic resources constitutes a base for the development of the film and video industry.

The Province of New Brunswick could possibly capitalize on this artistic base so as to develop its image building products:

- short films,
- television dramas,
- national commercials,
- documentaries,
- educational products.

3. An Industry to be Helped and Encouraged

For the reasons of economic impact and image building previously referred to, the New Brunswick film and video industry deserves to:

- be protected because it is small and vulnerable and has potential for growth;

- be encouraged:

  - because of its important positioning effect for New Brunswick within a Canadian and international context;

  - because it reinforces the reputation of New Brunswick and its businesses.

Table 18

Products	Geographic Markets to Emphasize	Required Financial Resources	Required Human Resources	Size of Market	Hope-for Profitability		
					Short Term (1 year)	Medium Term (2 to 3 yrs.)	Long term (3 yrs. & +)
Contractuals: - Industrial, commercial & educational products	Local	Modest *	**	Small growing market	Yes **	Yes **	Yes **
Speculative: - Programs - Feature films - Short films	National and international	***	***	Speculative and without limit	No	No	Yes ***

Key:

* Weak
** Medium
*** High

Such assistance must come directly from the New Brunswick government, reinforcing the national assistance programs which:

- are administered outside the province (Telefilm);

- do not pursue provincial goals and are evaluated on the basis of their national impact as opposed to provincial. By this same fact, it does not reflect the real aid granted within a province.

B. DEVELOPMENT OPTIONS FOR THE INDUSTRY

Table 18 opposite, refeals the three development options available to producers:

- specialization in contractual products,
- specialization in speculative products,
- a combination of these two types of products.

From this table, we can observe that:

- the contractual products sector is the most viable and is the least risky;

- the speculative products.sector is viable in the medium term and long term for businesses which have succeeded in the national and international markets. However, the profitability of these products, once achieved, can be very significant but will always remain risky.

- the involvement of a producer in the two lines of products is a viable solution if:

  - the involvement in speculative products is complementary to an already profitable involvement in contractual products.

  - the operations in the two areas are distinct and permit a specific positioning in each sub-sector.

Specialization in one of these sub-sectors appears preferable to being a generalist with no particular strength in either sub-sector.

The most profitable development option, and the most viable for independent producers, is through positioning in contractual products.

A specialization in speculative products not directed to the national and international markets is difficult, considering:

- the limited size of the local market;

- the limited revenues of local broadcasters who cannot provide a level of financing equivalent to that of the networks.

C. POTENTIAL STRATEGIES FOR THIS INDUSTRY

The industry must be helped, but it must also help itself.

Table 19

CONTRACTUAL PRODUCTS

NEEDS	STRATEGIES	DIRECT AND INDIRECT EFFECTS
Projects	• Restriction of internal governmental production	• Increase the number of projects for local producers
	• Purchasing policy which encourages local producers (alone or in co-production)	• Increase the number of projects • Training and experience for local producers with more experienced producers
	• Assistance for technical training and management	• Products of a higher quality with respect to the client's purchasing criteria (deadlines, etc.) - Increase in the rate of clients returning because of greater satisfaction - More competitive in the national market and more projects
	• Reinforce local advertising agencies towards offering "full service", beginning with the use of local producers	• Maintain advertising contracts in the province - more projects for producers • Increased development of the market of advertisers - more projects for producers
Financing	• Access to all programs of the federal/ provincial auxiliary agreement on industrial development	• Assistance for plant and equipment - stimulus to the banking system
Post-Production Facilities	• Strengthen the development of post-production facilities in the video sector	• Improve product quality • Reduce delays and costs

1. Measures to Be Taken by the Industry itself

a. Development of an Association

The industry must take part in its development in two ways:

- individually,
- in a co-operative manner.

Development in a co-operative manner can be undertaken under the guidance of a provincial association, the purpose and role of which would be defined by its members.

Such an association could permit various members of the industry to analyze and find solutions to the common problems that they are contronted with.

b. The Development of a Business Plan by Each Producer

Each business must specifically orient itself. To do this, it must develop a business plan which would permit it to manage and direct its growth and not operate in a completely reactive manner.

Such a business plan, whose components we provide in a detailed form in Appendix IV, must address all aspects of business management:

- general orientation,
- manpower,
- research and development,
- commercialization of products,
- production,
- financing.

The development of a business plan is a complex undertaking which often requires experience and outside help.

Therefore, we suggest that the development of a business plan by each business should be preceded by a workshop dealing with:

- the development of a plan,
- concrete examples of actual plans.

The Federal Business Development Bank* offers such workshops which can be customized and adapted to each sector.

c. Development of Co-Productions

Co-productions between some New Brunswick producers or with those of other provinces would permit:

- the gathering of human resources and complementary facilities and material expertise which could attract certain contracts;

- the strengthening of the mutual expertise of participating producers.

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* FBDB: offices in Fredericton and Moncton.

d. The Creation of Production Consortiums for Dealing with Requests for the Calling-for-proposals from the Federal Government

New Brunswick film and video producers should be able to obtain from the federal government, a proportion of the contracts annually granted by the various federal departments. Various methods are envisaged:

- the registration of a province-wide consortium with the Department of Supply and Services (Mass);
- prospecting those departments which annually grant contracts for film and video productions.

2. Provincial Assistance to the Industry

We present in tables 18 and 19 the principal strategies that would help in the short and medium term to protect the development of the whole industry.

The possible strategies, with respect to provincial assistance, must take into account:

- the complementarity of existing federal programs with provincial initiatives;
- the protection of this expanding and developing industry through incentives instead of supporting measures.

D. PROPOSED RECOMMENDATIONS

1. Administration of the Proposed Initiatives

The proposed initiatives should all be managed and controlled by a single administrative entity.

However, it is not necessary to create an expensive structure whose budget would be spent for its own internal operation instead of assisting the industry.

We suggest therefore the creation of a Film and Video Directorate whose responsibility would be to administer and control the programs. Such a body would only have a temporary mandate which would be renewable on the basis of the degree of assistance and support needed by this industry.

The Film and Video Directorate could be set up within the Department of Tourism, Recreation and Heritage. The classification of films in New Brunswick and the administration of the proposed programs should be under its authority.

The purpose of this organization would be to help develop an independent and financially viable film and video industry.

The specific functions of this body would be:

- to administer the programs;
- to play the role of coordinator of the various New Brunswick departments with respects to their purchasing of audio-visual products.

Table 20

SPECULATIVE PRODUCTS

NEEDS	STRATEGIES	DIRECT AND INDIRECT EFFECTS
Projects	• Assistance to script-writing and to targeting products	• Quality scripts permitting increased financing from distributors, national networks and Canadian financial institutions
	• Assistance to training in the area of production	• Product quality • Success of product and new opportunities for projects
Outlets for projects	• Financial assistance for the development of markets for obtaining financing from distributors, national networks and Canadian financial institutions	• Increase the number of projects and the outlets for projects
Financing	• Assistance to the production of feature and medium length dramas and television programs	• Increase the number of projects due to financing
	• Assistance for the rental of equipment for first projects	• Increase the number first projects

- to play the role of advisor to the New Brunswick government for its strategy towards the federal government concerning film and video.

This Body must coordinate its actions with the federal department of Communications and Telefilm Canada in order to maintain complementarity in all activities and programs.

2. Proposed Initiatives

Ten specific initiatives are proposed to protect and help the development of this industry (see following pages).

Initiative no. 1: **ELIMINATION OF INTERNAL GOVERNMENTAL PRODUCTION**

Products Covered	Contractual Products
Objectives	• To avoid the multiplication of production units within the government. • To encourage production in the private sector and prevent the government from being its own supplier. • Increased control of government expenses by strict "contracting-out" produceures.
Modus Operandi	• Evaluation within each public institution (universities included) of physical recourses, material and personnel related to audio-visual production. • Development of a program of re-assignment of all resources.
Duration	Permanent
Foreseeable Budget	N/A
Initiative Administrator	The Treasury Board in collaboration with the Film and video Directorate.

Initiative no. 2: **PURCHASING POLICY WHICH ENCOURAGES INDEPENDENT PRODUCERS**

Products Covered	Contractual Products
Objectives	• To encourage New Brunswick producers and to stimulate economic development in the province. • To encourage the development of producers through co-productions with producers or businesses outside of the province.
Modus Operandi	1. Creation of a bank of local suppliers, and suppliers from outside of the province. 2. Establishment of a standard request for proposals procedure to be followed by each department ministry, under the coordination of the Film and Video Directorate responsible for overseeing the application of this selection policy favouring local producers or co-productions with those from outside the province. 3. Sub-contracting clause (minimum 40%) in favour of local producers for contracts given outside the province.
Duration	Permanent
Foreseeable Budget	N/A
Initiative Administrator	Film and Video Directorate.

Initiative no. 3: **ASSISTANCE FOR TECHNICAL MANAGEMENT AND TRAINING**

Products Covered	Contractual Products
Objectives	• To strengthen the competence of participants in the film and video industry in regard to technical aspects of production and post-production. • To strengthen the management skills of producers.
Modus Operandi	• Education grants for the financing of training courses outside of the province on a per diem basis granted for periods of up to three months.* • Financing the organization of seminars and workshops within the province with specialists invited from outside.
Duration	Three years.
Foreseeable Budget	$50,000/year.
Initiative Administrator	Film and Video Directorate.

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* One can foresee the possibility of allowing access to this program to individuals working for New Brunswick advertising agencies.

Initiative no. 4: **STRENGTHENING NEW BRUNSWICK ADVERTISING AGENCIES TOWARDS FULL SERVICE OPERATION**

Products Covered	Contractual Products
Objectives	• To develop local agencies services in New Brunswick at the level offered by national agencies. • To encourage the spin-off of sub-contracts towards local producers. • To establish relations between advertisers and local producers.
Modus Operandi	• Financing 25% of the costs of a television commercial up to an amount of $5,000 for any advertiser using a local agency (in joint venture or not) and a local producer (not to be repeated for the same advertiser).
Duration	Three years.
Foreseeable Budget	$100,000 per year.
Initiative Administrator	Film and Video Directorate.

Initiative no. 5: **ACCESS OF PRODUCERS TO ALL PROGRAMS INCLUDED IN THE FEDERAL/PROVINCIAL AUXILIARY AGREEMENT ON INDUSTRIAL AGREEMENT**

Products Covered	Contractual Products
Objectives	• To give access to the three programs of the auxiliary agreement on industrial development. • To encourage the involvement of banks with producers.
Modus Operandi	• Negotiate a specific federal/provincial agreement in the context of the federal/provincial auxiliary agreement on industrial development to allow access to this program to film and video producers.
Duration	Permanent.
Foreseeable Budget	N/A
Initiative Administrator	Committee on the federal/provincial auxiliary agreement.

Initiative no. 6: **DEVELOPMENT OF POST-PRODUCTION FACILITIES IN THE VIDEO SECTOR**

Products Covered	Contractual Products
Objectives	• To give producers access to complete post-production facilities in the video production sector.
Modus Operandi	• Grants for post-production equipment to non-producers offering external post-production services: - Admissibility to federal/provincial auxiliary agreement on industrial development.
Duration	Permanent.
Foreseeable Budget	N/A
Initiative Administrator	Committee on the federal/provincial auxiliary agreement on industrial development.

Initiative no. 7: **ASSISTANCE FOR SCRIPTWRITING**

Products Covered	Contractual Products
Objectives	• To develop quality scripts that can reach specific audiences. • To assist in the training of script-writers working on feature length and short films as well as in television programs.
Modus Operandi	• Grant of $3,000 to $5,000 for the development of scripts. • Financing of apprenticeships and seminars oriented towards scriptwriting.
Duration	Three years.
Foreseeable Budget	$50,000.
Initiative Administrator	Film and Video Directorate.

Initiative no. 8: **ASSISTANCE TO OBTAIN FINANCING FROM DISTRIBUTORS, NATIONAL BROADCASTERS AND CANADIAN FINANCIAL INSTITUTIONS**

Products Covered	Speculative Products
Objectives	• Assistance in the preparation of a financial proposal and in research concerning production.
Modus Operandi	• Financing trips for businesses holding a "treatment" or a scenario that are looking for financing.
Duration	Three years.
Foreseeable Budget	$25,000.
Initiative Administrator	Film and Video Directorate.

Initiative no. 9: **ASSISTANCE IN THE PRODUCTION OF MEDIUM AND SHORT FILMS AND OF TELEVISION PROGRAMS**

Products Covered	Speculative Products
Objectives	• Financial assistance. • Invite participation from other eventual financial partners such as Telefilm, the NFB, the Canada Council, the television networks and distributors.
Modus Operandi	• Participation in the cost of production of a project on the basis of participation equal to 50% of the licence fee of a broadcaster.
Duration	Three years.
Foreseeable Budget	$150,000.
Initiative Administrator	Film and Video Directorate.

Initiative no. 19: **ASSISTANCE FOR EQUIPMENT RENTAL FOR FIRST PROJECTS**

Products Covered	Speculative Products
Objectives	• To encourage the first projects of new producers.
Modus Operandi	• Grants for the cost of renting production equipment.
Duration	Three years.
Foreseeable Budget	$25,000.
Initiative Administrator	Film and Video Directorate.

E. THE PLAN TO ESTABLISH INITIATIVES AND THEIR APPLICATION

All initiatives can be summed up in the following manner:

Initiatives of Permanent Duration

Type	Cost
• Elimination of internal governmental production	Nil
• Purchasing policy which encourages producers	Nil
• Access of producers to the auxiliary agreement on industrial development	Existing program
• Strengthening the development of post-production facilities in the video sector (auxiliary agreement on industrial development)	Existing program

Renewable Initiatives

Type	Annual Cost	Duration
• Assistance for technical training and management	$ 50,000	3 years
• Strengthening advertising agencies	$100,000	3 years
• Assistance for scriptwriting	$ 50,000	3 years
• Assistance to develop markets	$ 25,000	3 years
• Assistance for the production of medium and short films and TV programs	$150.00)	3 years
• Assistance for equipment rental for first projects	$ 25,000	3 years
TOTAL COST	$400,000	

The total cost of the program would amount to $1.2 million over a three year period.

An evaluation of the impact of the program should be conducted after three years to determine:

- the advisability of extending the entire program or a part of it;

- the readjustment of the methods used.

Such a program should allow this industry to take off. Three years is a period that we judge to be sufficient before a first evaluation considering that the program covers contractual products for which there is a proven market.

VI. CONCLUSION

On the basis of all our analyses, we believe that the New Brunswick film and video industry must be protected and encouraged in its current growth phase.

For this purpose, considering the efforts of all the Canadian provinces to specifically help their industries, we believe that it is the role of the Province of New Brunswick to strengthen the competitive position of its producers.

The impact of the measures undertaken by the province to encourage its industy will translate into econonic benefits and public awareness for the whole province.

APPENDIX I

FEDERAL ASSISTANCE PROGRAMS

PROGRAMS: PRIMARY ASSISTANCE

Information on programs has been divided into two sections: primary and secondary assistance. Primary assistance refers to programs designed specifically for the film and video sector. Secondary assistance, while not designed primarily for the film and video sector, includes programs under which film and video are eligible.

1. TELEFILM CANADA

The Canadian Film Development Corporation (CFDC) was established by the Canadian Government in 1967 "to foster and promote the development of a feature film industry in Canada".

Fifteen years later, the CFDC, now called Telefilm Canada, administers the multi-million dollar Canadian Broadcast Program Development Fund making the corporation the federal government agency responsible for private sector development in both the television and film production industries.

A. The Canadian Broadcast Program Development Fund

On July 1, 1983, the Government of Canada established a special Canadian Broadcast Program Development Fund intended to promote an increase in the number of high quality Canadian television productions in the categories of drama, children's programming, variety and documentaries. To achieve this goal, $254 million, spread over 5 years, was earmarked to help develop and support the private sector television production industry in Canada.

In order to stimulate the development and production of on-going television series, the Broadcast Fund will be allowed to cover up to 49% of the cost of producing series' pilots. Recent changes to the Fund now allow documentary programs to be eligible for support, as long as they are suitable for prime-time exhibition, and also enable licensed provincial television services to provide letters of commitment, which are required by production companies for support through the Broadcast Fund.

B. Script and Development Program

The objectives of the Script and Development Program are to encourage the writing of screenplays for feature films and television dramas by Canadian writers who have demonstrated their talent in these or related areas, and to assist Canadian producers in arranging the packaging, financing and distribution of proposed film and television productions.

Under this program, funds are provided to producers so that scripts may be prepared, budgets developed, and directors and performers secured. The corporation's script and development funds are normally advanced on a matching basis with the producer in cases where a screenplay appears to have both artistic and commercial merit, and the production group has the necessary managerial, technical, artistic, and marketing skills. This component and the General Production Program have a total of $2 million.

C. The General Production Program

The objectives of the General Production Program are to encourage the production of fiction or documentary films of a distinctly Canadian nature, and to assist the development of promising Canadian directors.

Under this program, investments are made in fully developed feature film projects whose budgets, generally, do not exceed $1.5 million. The projects must have a Canadian theme as well as a high calibre of technical, artistic, and creative content. The maximum investment is $200,000 and will rarely exceed 25% of the total cost of the film.

D. The Industry Support Program

Telefilm Canada provides grants to industry associations and non-profit organizations for industry functions that benefit a significant segment of the industry, and for events that help promote the industry within Canada. These functions may include: seminars, workshops and other educational conferences, trade forums and markets, festivals which highlight the Canadian industry, and national film and television award ceremonies.

Telefilm Canada also provides industry support at international markets. At such events, the corporation promotes the industry, provides information on Canadian productions, and assists producers and distributors in selling and buying product. The budget for this component is $1.2 million.

E. Distribution and Marketing Program

Telefilm Canada is active in aiding the distribution and marketing of Canadian films and television programs at home and abroad.

In particular, there are two programs established as part of the government's private sector initiative in a recently announced film and video policy. The programs are designed to support the promotion of advertising and test marketing of Canadian productions. These programs will give Canadians a greater opportunity to see Canadian productions, increase the competitiveness of individual Canadian products, thereby helping them win larger domestic audiences and more revenues from the Canadian market. As well, they aim to increase distribution revenues for Canadian products from all sources, thereby maximizing the return to investors.

Telefilm Canada advances funds (to be repaid) of up to 50% of the costs related to advertising, promotion and test marketing. There is a total of $3.8 million in this component.

F. Interim Financing Program

Interim loans are made to allow producers to commence production before all the equity financing is in place. To be eligible for this form of assistance, the producer must offer security on the loan, generally in the form of an assignment of pre-sale contracts or a pledge of the producer's assets.

The producer must also show sufficient financial commitments to guarantee completion of the production, and the production itself must meet Telefilm Canada's Canadian Content standards. The Interim Financing Fund has $4.6 million.

G. Co-Productions

Canada has official co-production treaties with eight countries: France, Israel, Italy, the Federal Republic of Germany, Algeria, Spain, the United Kingdom and the Kingdom of Belgium. Such treaties allow producers from two or more countries to share in the creative, technical and financial aspects of a production, and at the same time enjoy the benefits accorded a national production in each country, such as direct aid, tax incentives, and freedom from tariffs and quotas.

Telefilm Canada, at the request of the Minister of Communications, is responsible for the administration of these treaties. The corporation receives and evaluates project applications for recognition as official co-productions. Based on Telefilm Canada's recommendations, the Minister of Communications either approves or rejects such applications.

While Telefilm Canada advises the Minister on all official co-productions, it does not necessarily participate financially in them. The Corporation's participation is based on a more detailed analysis of the merits of the production.

The Corporation, in co-operation with the Department of Communications, is also very active in the negotiation and re-negotiation of existing and potential treaties.

2. CAPITAL COST ALLOWANCE

The 100% capital cost allowance for Canadian feature films was introduced in 1974 as a means to increase private sector support for the Canadian film industry. The program provides a tax incentive to investors who supply financing for productions that, because of their substantial Canadian content, qualify for the allowance. The process of certifying productions as Canadian is administered by the Department of Communications.

Initially, the program applied only to Canadian feature films, in which the producer and two-thirds of the individuals filling key creative positions were Canadian. Since 1974, however, a number of amendments have been implemented, primarily to make short productions and video-tapes eligible for certification, and to more precisely and fairly define the criteria determining whether a production is Canadian.

In order to qualify as "Canadian" for purposes of the capital cost allowance, a film or videotape production must meet the following criteria:

- The producer, and all individuals performing producer-related functions, must be Canadian;
- The production must earn six units or points of production, based on the following key creative positions being filled by Canadians:

Director	2 points
Screenwriter	2 points
Highest paid actor	1 point
Second highest paid actor	1 point
Head of Art Department	1 point
Director of Photography	1 point
Music Composer	1 point
Picture Editor	1 point
	10 points

In addition, either the director or screenwriter and one of the two highest paid actors must be Canadian.

- At least 75% of total remuneration paid to individuals, other than that paid to the producer and the key creative personnel, or for post-production work, must be paid to, or in respect of services provided by, Canadians.

- At least 75% of processing and final preparation costs must be paid in respect of services provided in Canada.

3. THE CANADIAN RADIO-TELEVISION AND TELECOMMUNCATIONS COMMISSION (CRTC)

The CRTC, with the adoption of the Broadcasting Act in 1968, was established by Parliament as an independent public authority to regulate and supervise all aspects of the Canadian broadcasting system. The CRTC establishes regulations and issues licences, with appropriate licence conditions, to all broadcasting and pay-television undertakings and networks.

The Commission has established guidelines for Canadian content to which broadcasters, cable and pay-television operators must adhere.

4. NATIONAL FILM BOARD (NFB)

The National Film Board was established in 1939 with a mandate to initiate and provide for the production and distribution of films and video in the national interest.

Through the Program to Assist Films and Filmmakers in the Private Sector, the NFB provides direct assistance to young filmmakers. The Board also provides indirect assistance by co-producing certain productions with the private sector.

5. THE CANADIAN BROADCASTING CORPORATION (CBC)

The Canadian Broadcasting Corporation is a publicly owned corporation established in 1936 by an Act of the Canadian Parliament to provide a national broadcasting service in Canada. The CBC operates eight major domestic services: two television networks, in English and French; two AM radio networks, in English and French; two FM stereo

networks, in English and French; and Northern Service in the English, French, Native and Inuit languages; and television coverage of Parliament for relay by Canadian cable systems. One of the objectives of the national service is to contribute to the development of national unity and provide for a continuing expression of Canadian identity. Its parliamentary appropriation for 1985-86 is $847,000,000.

The CBC assists the film and video sector by acquiring product from independent producers for broadcast and by entering into co-productions with the private sector.

6. THE CANADA COUNCIL

The Canada Council was created by Parliament in 1957 to promote the arts in Canada. Its funds come from an annual Parliamentary appropriation, which is supplemented by revenues from an endowment fund and private bequests.

In addition to providing financial assistance and services to individuals and arts organizations in the performing arts, writing, publishing, and architecture, the Council provides grants to support eligible professional film and video artists. The grants may be used for projects such as pre-production research, technical and conceptual experimentation, apprenticeship, advanced film studies, critical writing, language versioning of a specific work, and travel to take part in panels, symposia or festivals. The Council has approximately $3 million for film and video arts.

7. MULTICULTURALISM PROGRAM

The Performing and Visual Arts component of the Secretary of State's Multiculturalism Program contributes $200,000 to funding of films and videotapes with multicultural subjects.

8. CANADIAN FILM AND VIDEO SERVICE ORGANIZATIONS CONTRIBUTIONS PROGRAM

In 1984, the National Film and Video Policy increased funding available through the Department of Communications to national service organizations in the film and video area to $300,000 a year.

PROGRAMS: SECONDARY ASSISTANCE

1. PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD)

The Program for Export Market Development helps incorporated Canadian businesses develop, increase and sustain their activities by sharing with them the costs of specific export marketing efforts. PEMD is geared to encourage businesses that have not previously exported, to begin export marketing and to encourage established exporters to expand their activities in new markets. Although the program is geared mainly to the manufacturing sector, film and video companies may apply for assistance.

PEMD provides up to 50% of the costs incurred by a company in its penetration of new markets. These contributions are repayable if sales are made to that market.

PEMD has various components, each designed to meet a specific circumstance which may result while developing or expanding new or existing export markets:

Section A: Specific Project Bidding

Section A shares the cost of bidding on specific projects anywhere outside Canada. The projects typically involve a formal bidding procedure in competition with foreign firms, for consulting services, engineering, construction and the supply of Canadian goods and services.

Section B: Market Identification

Section B helps companies visit potential markets and to assess whether exporting to those markets would be commercially viable, or to make industrial cooperation arrangements.

Section C: Participation in Trade Fairs Abroad

Section C helps Canadian exporters participate in trade fairs and industrial exhibitions outside Canada. Companies may participate in the same (or essentially the same) event up to three times. The events that PEMD supports are generally of limited duration rather than on-going exhibitions.

Section D: Incoming Buyers

Section D helps Canadian companies bring potential foreign buyers to Canada, or an approved location abroad. The foreign buyers must represent importers located abroad and must play a major role in influencing purchasing decisions or industrial cooperation agreements.

Section E: Export Consortia

Section E helps Canadian manufacturers to make cooperative arrangements for the development of joint export sales by forming permanent export consortia. It is especially interested in encouraging consortia of small and medium-sized firms. Section E supports feasibility studies of proposed export consortia, as well as the formation and operation of new consortia in Canada for up to three years.

Section F: Sustained Export Market Development

Section F helps Canadian exporters to undertake a sustained marketing effort in a foreign market by establishing facilities on location. Support is provided for market studies and the preparation of a market penetration plan. The implementation costs determined by the plan may be shared for up to three years.

2. CANADIAN JOBS STRATEGY

Employment and Immigration Canada is responsible for undertaking federal programs that encourage employment, training and development. Recently, the Minister of Employment and Immigration announced a new Labour Market Strategy which will be more accessible to the cultural industries than previous employment programs.

This new strategy includes six components that are the major initiatives of the federal job creation and training policy.

- Skill Investment: to enable workers to obtain new skills in response to changing technologies.
- Job Entry: to help young people and women enter the labour market successfully.
- Job Development: to provide the long-term unemployed with new opportunities in the labour market.
- Skill Shortages: to encourage training in areas where critical occupational shortages exist.
- Community Futures: to extend new opportunities to workers in declining communities through community action, training and mobility.
- Innovations: to stimulate innovation, pilot programs, and experimentation by the private sector, the provinces and their educational institutions.

3. CANADIAN STUDIES PROGRAM

The Secretary of State's Canadian Studies Program includes a component designed to assist the development of film and audio-visual learning materials. The program offers support for the presentation and production of film, audio-visual and audio learning materials.

The objectives of the Canadian Studies Program are:

- To develop, distribute and encourage the use of Canadian studies learning materials in a number of specific content areas considered to be underdeveloped or neglected in the field of Canadian studies.
- To increase the public's knowledge of Canada.
- To encourage the work of national voluntary organizations working in the field of Canadian studies.
- To enhance Canadian capacity to develop new knowledge about Canada.
- To encourage teachers to use Canadian materials and to teach their students about Canada.

A qualifying project must address the school-aged population and have some general applicability to a general lay audience.

APPENDIX II

INTERVIEW STRUCTURE

A. PRODUCERS
B. DISTRIBUTORS
C. EXPERTS
D. BUYERS OF PRODUCTION

A PRODUCERS

1. Identification card:

- Name of business / body
- Name of the person(s) encountered
- Complete postal address
- Telephone number
- Title(s) and function(s) of the person(s) encountered
- Year business founded
- Name of the owner(s) and/or shareholders of the company

2. Future of the industry

a. Their forecast (if there were no changes)

- For Canada
- For New Brunswick
- For other provinces

b. What must be done

- In Canada
- In New Brunswick

c. The particularities of the industry in New Brunswick

- its advantages and key factors for success
- its major shortcomings
- concentration
- corporate ties
- vertical integration

3. Its future

- Foreseeable strongholds
- Sales objectives and market share
- Marketing strategies
- Perceived restrictions on growth
  - material resources
  - regional production facilities
  - human resources
  - financing
  - outlets for products
- Competitive forces

4. Products / Productions

a. Type of product

- the product lines with the types of products of each line
  - feature films/short films
  - films and/or videos
  - advertisements / documentaries
  - French / English
  - programs (.....)
  - etc.

b. Sales and revenues

- production for the five last years
  - number
  - type
  - commercial success
  - cultural success
  - list of titles
  - annual revenues of the business
  - seasonableness (timeliness)

c. Characteristics of products

- co-productions
  - reasons
  - partners
- specializations
- new products
- relation of product to market
- relation of product to physical and material resources
- relation of product to human resources

- particularities of New Brunswick
  - geography
  - population
  - languages
  - strengths
  - weaknesses

- products "by order" versus standard productions

- origin of productions
  - scripts
  - writers, etc.

- letters of intention of clients and/or distributors (by TV, advertising agencies)

5. Target clienteles

a. Principal clients

- according to products
- according to regions
- according to language

- the largest clients

- the size of the markets and their evaluation

- the nature of clients' need and their determination

b. The buying process of clients

- the purchasing criteria of clients
  - price
  - quality
  - deadline for delivery
  - public satisfaction (BBM, ...)
  - etc.

- uses of the product
  - primary
  - secondary

- the buying operation
  - by which process is the purchase initiated
  - envisaged information sources of clients
  - time needed for a decision

- organization of the purchase
  - who buys
  - who decides
  - who pays
  - who influences or recommends
  - etc.

6. Marketing policies

a. Pricing policies

- who sets the price and on what basis
- the rights?
- preliminary production agreements with distributors

b. Distribution

- use or non-use of distributors / wholesalers

- identification of distributors
  - regional
  - national
  - international

- distribution agreements
  - rights
  - tarifs
  - etc.

c. Communication

- advertising

- sales
  - who

- public relations

- initiation of production projects
  - by order
  - presentation of products
  - promotion
  - other

d. The marketing plan

- The existence or non-existence of a marketing plan and its application

7. The Competition

a. Competition according to products

- In New Brunswick
  - Names
  - their estimated revenues (titles and $)
  - their part of the market

- outsided competition

b. The strengths and weaknesses of competitors

- according to their physical resources
- according to their human resources
- according to expertise and to products

c. Differentiating factors in respect to the competition

- In what way are their products different from those of their competitors

8. Resources

a. Physical and material resources

i. The company's own resources

- Studios
  - location
  - size of the buildings
  - number of studios and stages
  - improvements to premises
  - production capacity

- Equipment
  - Production
    - accessories
    - costumes
    - cameras
    - etc.

  - Pre and post- production
    - editing
    - audio tapes
    - etc.

ii. Available rented resources

- Suppliers (premises, who)
- costs
- the advantages and the inconveniences of renting versus ownership

iii. Outside post-production services

- suppliers
- their rental

b. Human resources

i. Internal resources

- For each function within a production
  - producer
  - director
  - director of photography
  - artistic director
  - production director
  - cameraman
  - grip
  - make-up artist, etc.

* their number
* full-time and part-time
* hours per year and/or per week
* their training and places of training
* their experience
* their competence
* diplomas and recognized courses
* their salaries
* their availability
* the importance of each to the production
* continuous training and the methods to develop the capacities of each

ii. Freelancers and/or outside resources

- their availability
- the means of their recruitment
- the advantages and disadvantages of using freelancers as opposed to permanent personnel
- their cost and their hours of use

9. Profitability and financing

a. financial statements

- revenues and expenses
- capitalization and debt
  - short term
  - long term
- working capital
- profitability and cash flow

- the financial bottom-line of the business
- the typical budget of different productions
- the financial sensitivity of principal financial variables
- the evaluation of costs of projects and of overuns
- the gross margin by type of production
- the method of management
  - by project
  - by position

b. The financing of productions

- required outside help
- progrmas, which?
- amounts obtained
- role of bankers
- role of potential investors
- their judgment of the available programs

10. Outside assistance

a. The role of governments

- forms of known assistance
- forms of assistance used
- the strengths and weaknesses of the present system and the means of access to it
- is government intervention necessary or not, and for whom?

b. Other partners

- the banks
- distributors
- private sector
- others

B. DISTRIBUTORS

1. Identification card :

- Name of business / body
- Name of person(s) encountered
- Complete postal address
- Telephone number
- Title(s) and function(s) of person(s) encountered
- Year business founded
- Name of owner(s) of company and/or shareholders

2. Future of the New Brunswick film and video industry

a. Their forecast (if there were no changes)

- For Canada
- For New Brunswick
- For the other provinces

b. What must be done

- In Canada
- In New Brunswick

c. The particularities of the industry in New Brunswick

- its advantages and key factors for success
- its major shortcomings
- concentration
- corporate relationships
- vertical integration

3. Products distributed

a. The type of product

- the product lines with the type of product by line
  - feature films / short films
  - films and/or videos
  - advertisements / documentaries
  - French / English
  - programs (.....)
  - etc.

b. Sales and revenues

- distribution in the last five years
  - number
  - type
  - commercial success
  - cultural success
  - list of titles
  - annual revenues of the business
  - seasonableness (timeliness)

c. Characteristics of products

- specializations
- new products
- relation of product to market

4. Target clienteles

a. The principal clients

- according to products
- according to regions
- according to language

- the largest clients
- the size of the market and its evaluation
- the nature of clients' needs and their determination
- the trends in the demand

b. The buying process of clients

- the purchasing criteria of clients
  - price
  - quality
  - deadlines for delivery
  - public satisfaction (BBM, ...)
  - etc.

- the uses of the product

  - primary
  - secondary

- the buying operation
  - by which process is the purchase initiated
  - information sources of envisaged clients
  - the time taken to decide

- the organization of the purchase
  - who buys
  - who decides
  - who pays
  - who influences and recommends

5. Marketing policies

a. Pricing policies

- who sets the price and on what basis
- the rights?
- preliminary agreements with retailers and/or clients

b. The retailer networks

- to use or not

- identification and selection of retailers

- distribution agreements
  - rights
  - tarifs
  - etc.

c. Communications

- advertising
- sales
  - who
- public relations

d. The marketing plan

- The existence of a marketing plan or not

6. <u>The competition in distribution</u>

a. Their competitors according to products

- In New Brunswick
  - Names
  - their estimated revenues (titles and $)
  - their part of the market
- Outside competition
  - the Big Eight (if such be the case)
  - Canadian distributors

b. The strengths and weaknesses of competitors

- According to their physical resources
- According to their human resources
- According to expertise and to the products

c. Differentiating factors in regard to the competition

- In what way is their method of functioning different from that of their competitors?

7. Their suppliers

- their criteria for choosing suppliers
- their evaluation of New Brunswick production according to their criteria for choosing among these same suppliers
- the perceived functioning of New Brunswick producers
  - compared to productions of other provinces
  - compared to productions of broadcasters
  - compared to imported products
- the foreseeable trends
- the influence of government assistance and its relevan

8. Their revenues

a. Their physical and material resources

- location
- buildings
- reproduction equipment, ...
- plant costs

b. Their human resources

- required specialization or qualifications
- number of persons
  - full-time
  - part-time

9. The profitability and financing of their operations

a. financial statements

- revenues and expenses
- capitalization and indebtedness
  - short term
  - long term
- working capital
- profitability and cash flow
- breakeven point of the enterprise
- the financial sensitivity of principal financial variables

b. The financing of distribution

- required outside help
- the programs, which?
- the amounts obtained
- assistance to develop markets

10. The role of governments

- the known forms of assistance
- the forms of assistance used
- the strengths and weaknesses of the current system and the means of access to it
- is the intervention of governments necessary or not and for whom in the industry?

C. THE EXPERTS

1. Identification card :

- Name of the body and/or business
- Name of the person(s) encountered
- Complete postal address
- Telephone number
- Title(s) and function(s) of the person(s) encountered
- Year the business founded (if applicable)
- Name of the owner(s) and/or the shareholders, if any

2. The situation in their province
(Film and video: N.B., N.S., Que., Man.)

- Level of activity
- Structure of the industry (Who's who)
- Viability of producers
- Role of distributors
- Problems of financing
- Competitivity
- Users and their acceptance of local production
- Supply and demand; where is the balance?
- The size of the market and of the industry which can currently survive.

3. The foreseeable trends

- Producers who have had success; can this situation be extended to other producers?

- The industry; is there place for small, medium, and large producers functioning above the break-even point?

- The concentration (some large and profitable, many marginal)

- Integration and the difficulty of starting "small".

- Remain a craft industry vis-a-vis other countries / provinces?

- Can New Brunswick, Nova Scotia, Quebec, Manitoba find find a specific niche in the industry?

- What is the situation with respect to markets? Who can absorb on a long term basis local production?

- What is the reputation and image of the local industry?

  - at the local level
  - at the regional level
  - at the provincial level
  - at the national level
  - at the international level
  - among distributors
  - among users and middlemen

- Are there examples to follow, success stories?

- The current and future factors for the success of the industry.

4. <u>The training of professionals in the film and video industry</u>

- The importance of training in the industry
- The required training and the places for training
- The best expertise in Canada?

5. <u>Co-productions between New Brunswick and the other provinces</u>

- The advantages for New Brunswick
- The risks for New Brunswick

6. <u>Government assistance to the industry</u>

  - from Telefilm?
  - provincial bodies?
  - from MEIR?
  - Employment and Immigration
  - other ministries and/or bodies?

- Its role
- Its shortcomings
- The type of assistance to be encouraged and the bodies to offer such assistance
- The resources or enterprises to be favoured by assistance
- The limits of assistance and support by government bodies
- Survival, with or without government support

7. Assistance from the private sector

- Foreseeable forms of assistance
- Examples of existing success stories

D. THE BUYERS OF PRODUCTION

1. Identification card :

- Name of the business / body
- Name of the person(s) encountered
- Complete postal address
- Telephone number
- Title(s) and function(s) of the person(s) encountered
- Year business founded
- Name of the owner(s) and/or shareholders

2. The future of the industry

a. Their forecasts (If there has been any change)

- For Canada
- For New Brunswick
- For the other provinces

b. What must be done

- In Canada
- In New Brunswick

c. The particularities of the industry in New Brunswick

- its advantages and key factors for success
- its major shortcomings
- concentration
- corporate relationships
- vertical integration

3. The buying process

- The number of suppliers

- The origin of purchases
  - local
  - regional
  - national
  - imports

- The criteria for buying
  - price
  - quality
  - deadlines for delivery
  - public satisfaction (BBM, ...)
  - etc.

- The uses of the product

  - primary
  - secondary

- The buying operation
  - by what process is the purchase initiated
  - the information sources of foreseeable clients
  - the time required for a decision to be made

- The organization of the purchase
  - who buys
  - who decided
  - who pays
  - who influences or recommends

- Opinions on:
  - the quality of New Brunswick products
  - their competitiveness
  - their style / genre
  - their acceptance in the market
  - their universality, potential for export

- Your expectations of local producers? Have you informed them? Are there communications networks?

4. Regarding productions used by pay-TV, cinemas, broadcasters:

- How is the demand for the products you offer characterized?
  - characteristics of the product
  - life cycle, fashion element vs. classic
  - kind of product

- Where are your clients? Can they be divided into groups according to their distance?

- What percentage of your business revenues is represented by each group?

- What is your range of products in order of importance?

- How do you determine the needs of your client?

- Have you got a market strategy?

- Do you rent or lend installations to independent producers?

- Do you buy productions of independent New Brunswick producers? Why? Why not? How many?

- What percentage of your broadcast time would you be prepared to devote to them? (If a quality product in sufficient quantity were available)

- Have you ever provided letters of credit to a producer in order to facilitate the obtaining of financing? To which producers?

5. Evaluation of shows and programs by their ultimate users

- by BBM
- A.C. Nielsen
- Others

6. The incentives for New Brunswick content

- the type
- true influence
- the percentage of acceptable programming

APPENDIX III

THE BODIES AND/OR RESOURCE PERSONS ENCOUNTERED

CATEGORY	NEW BRUNSWICK	NOVA SCOTIA	QUEBEC	MANITOBA
Producers	• Télé Acadie • Carota Films • Atlantic Media Works • Capitol Films Inc • Fiddle Head Film Productions Ltd • Femmes en Focus • Groupe Vimoroy • Jacques Savoie	• Picture Plant • Caelter Street Productions	• La fabrique d'images • Films 24 • Productions JPL (Télé Métropole)	• Wayne Finucan Productions • Spectra Vision
Distributors/ wholesalers	• Universal • Crawford Video One Canada Ltée			
Cinemas	• Stan Mar			
Television	• N.B. Broadcasting • ATV/ASN • SRC			
Cablevision	• Fundy Cablevison Ltd			
Public & Para-public sector	• Ville de St-Jean • Ville de Moncton • Ville de Fredericton • Ministère de l'Éducation • Ministère de l'Agriculture			
manufacturing companies	• Loto Atlantique • Mc Cain Foods • Irving Oil • NB Tel • Chippin Brothers • Coop Atlantic			
Hotels	• Hilton International • Wand Lynn Inn			
advertising agencies	• Ian Roberts Inc.			
banks	• Banque Royale du Canada • Banque nationale du Canada			
video retailer	• National Vidéo			
Experts	• François Rioux • Carmen Comeau-Anderson • Jacques Legendre • Angela Bourgeois • Nicole Le Gresley	• ONF • Téléfilm Canada • Dpt of transport • Royal Bank	• Société générale du cinéma • Téléfilm • ONF	• ONF • Films Manitoba • Winnipeg Film Group • CKND

APPENDIX IV

THE BUSINESS PLAN

THE BUSINESS PLAN

I. DEFINITION OF A BUSINESS PLAN

The business plan is a written summary of general activity of a business. It is a report on the origin and the use of its funds, on its management personnel and labour relations, its strategy for production and sales, its production techniques, and its research program. It describes the past, present, and future of the business. Appropriately detailed, the business plan serves as a basis for the financing of the business. It must be complete, organized, and based on the facts.

The business plan obliges the directors to make plans and to weigh them. If the directors promise to double sales annually, the business plan must prove that the working capital of the business permits the financing of such a level of activity, that the business is sufficiently large to assure such production or that it can be sufficiently expanded to achieve this objective, and that there exists sufficient manpower to produce the products planned. The business plan obliges management to introduce hypothetical forecasts in a plan which weighs all factors: capital, raw material, manpower, and production capacity.

II. REASONS FOR A BUSINESS PLAN

A well detailed business plan provides the following advantages:

a. It obliges the directors to be realists. When the directors are obliged to reflect, to deeply study, and to calculate the relation of cost/volume and production/profits, they often realize that they have been overly optimistic.

b. It obliges management and more particularly, the directors who do not have financial training, to use a system of planning, budgeting, forecasting and reporting of facts, with its method and its advantages

c. It permits the determination of the users, the market, the method of determining price and competition conditions of which the company must take account of to realize its objectives.

d. It provides a budget which permits prospective investors to quickly evaluate the possibilities of realizing a project.

e. It promotes research on the causes of shortfalls or of observed variations between achievements and forecasts before these conditions have become irreperable.

f. It reveals the amount of funds that are available and are to be used, the dates when these funds will be available or used, and particularly, the dates of expenses for plants and for short term bank loans.

g. It gives an idea of the future return on investment.

h. It permits the determination of the number of necessary employees, the date when there will be need for this personnel, and the competency that they must have.

i. It demonstrates the planning capacity of management.

j. It reduces the time necessary for a prospective investor to study the project, to accept it, or to reject it.

k. It permits the determination of the size of the optimal location.

l. It permits the determination of the factors which are decisive for the success of the enterprise.

Above all, a business plan constitutes a tangible expression of the hopes of management. By studying it, the prospective investor may either destroy these hopes or may be convinced that they are well founded.

III. THE FORMAL BUSINESS PLAN

a. Management

The business plan must establish that a management team capable of executing it is available.

b. Manpower

The plan must indicate:

- the necessary competence;
- the schedule of manpower needs;
- the scale of current remuneration and for the foreseeable future;
- the availability of manpower;
- the future output of manpower.

The makers of the plan must demonstrate their realism by including programs for training apprenticeship and by showing that it will be possible to contend with interruptions and with unforeseen demands.

The plan must specify the following points:

- The comparison of remuneration of the company, including social benefits, with those of other companies located in the same region or belonging to the same branch of activity.

- The current and future situation in respect to collective agreements, to the demands and objectives of trade unions.

- The situation in respect to labour relations in the company and in the branch of activity and the possibilities of the company having to deal with a hightened promotion of unionism among its personnel; it must also mention the names of unions to which its personnel currently belongs and of those to which it may belong in the future.

- The availability of specialized and untrained manpower in the region to respond to a greater demand than envisioned.

- The tendancy of the company or of the branch of activity to use less manpower and the comparison between the rotation of personnel of the company with that of the branch of activity.

c. Research and development

The business plan must prove that the company has the technical capacity to create and to perfect products or processes. Consequently, it must:

- Indicate the originality of the product or of the process and why its financing is justified.

- Provide scientific reports prepared by independent experts which support the product or the process (including laboratory trials, the reports of users and recommendations).

- Indicate the envisioned cost and schedule for the production of a prototype (pilot).

- Establish the amount of costs for research and development and the necessary time to move from prototype to production.

- Indicate the status of research and of production of national and foreign competitors.

- Indicate the possibilities of legally protecting the know-how and advance on the competition.

- Describe the scientific areas in which the most research is currently being conducted.

- Describe the needs that research and development must address, indicating how the product will probably have to be adapted.

d. Sales

The sales aspect of a business plan must convince the reader that the company has a product or a process that is different from others and that is worthy of being financed. The sales plan must indicate:

- the clients;
- the foreseen sales price;
- the methods of distribution;
- the promotional costs.

A good plan must include the following elements:

- Commentary on the general economic and industrial situation, indicatin the influence that short term variations in the economy can have on the product or the services provided by the company.

- A detailed description of current and future products or services of the company and of publications such as sales brochures, etc.

- A description of the economic advantages to clients, compared with the current advantages of products and services offered by competitors

- A definition of the sales policy.

- A detailed and justified sales plan comprising the following elements:
  - analysis by product and by territory;
  - the optimal method of distribution, for example by the use of salesmen or of agents, etc.;
  - the method of establishing a price, conditions of payment, distribution of benefits by product;
  - analysis of breakeven point by product and by territory;
  - the characteristics of the market and the significance of the market;
  - the identification of the principal clients classed by category.
- The current and potential size of the market; the current and hoped for share of the market.
- An analysis of the competition which includes an evaluation of its products, of its prices, and of its share of the market.
- A list of future clients which have been approached, with the degree of interest raised and the names of the people in the company which can be consulted.
- Commentaries on the possibilities of exporting the product or the service and on the manner in which to respond to a demand for exports (when and how).
- An estimate of the costs of launching the product or service.

e. Production

The production part of a business plan must identify:

- The requirements in terms of installations.
- The optimal size and the plan of the installations.
- The production capacity.
- The burden of fixed costs.
- The possibilities of changing certain fixed costs to variable costs (for example, to have made by outside sources a part of the elements of the product being manufactured).
- The necessary plant costs.

The plan must include as well:

- A complete list of materials used and their price.

- A detailed description of the method used to determine production standards.

- An explanation of the choice of location, mentioning the following factors:

  - proximity of customers;
  - proximity of suppliers;
  - available manpower;
  - means of transport;
  - preferences of investors.

- A description and a diagram of the production process.

- A brief description of current assets and a commentary on their status, the costs on necessary investment, the probable costs and a schedule for enlargement.

- A statement of the capacity for non-utilized production, established per trimester, and where possible, a similar statement for the branch of activity and competitors.

- A brief analysis of the trends in maintenance costs and in new plants, whether they belong to the company or be rented.

f. Other information

One must also include in the business plan, information of a legal nature such as a description of the authorized capital and of the shares issued, the copies of relevant contracts, and indications of the ties of dependency. The latter information is important for a prospective investor and his legal adviser, because it helps them to determine if the company is legally able to respect its chief objective in the proposed manner:

- Provide information relating to the constitution of the business corporation, the date, the province, the addresses of its directors.

- Attach a photocopy of the letter patent and more particularly, the articles which govern the authorized capital, including the rights, the restriction, and the rights by preference.

- Include a complete list of the shareholders and the number of shares possessed by each of them.

g. Financial information

The financial part of the business plan must summarize, expressed in dollars, all the other elements of the plan, sales, production, and personnel. It must demonstrate that the hopes of management, expressed in dollars, constitutes an attainable objective. A well established financial plan must indicate:

- The source of funds including a schedule of the needs and the amounts the costs, and the planned reimbursements.

- The use of the funds including a schedule for their use, the amounts to be used, and the benefits to be engendered.

A large number of companies underestimate their needs. When funds begin to fall short, expenses have reached such a level that it is too late to step back. If the situation becomes desperate, the cost of loans will have become exhorbitant. One must take great care not to underestimate the need for capital; it is preferable to overestimate.

Consequently, the financial plan must include:

- The true and verified financial statements for at least the last five years, including the balance sheets and statements of losses and profits, as well as a statement that recapitulates the last five years directed towards facilitating the study by investors.

- The provisional financial statements established for each of the last twelve months and for each of the last five trimesters, to facilitate a month by month comparison between the results and the forecasts of the company.

- The projections of liquid assets and of established profits for each of the next 24 months and each of the trimesters of the next three years. It is necessary that these estimates be realistic and it is suggested that three series of forecasts be established; the most

pessimistic, the most optimistic, and the most probable. Each hypothesis must be detailed and make reference to the documents that serve as its basis. The analysis of liquid assets must indicate the schedule and the amounts of funds as well as their source and their use. The need for capital must be determined with precision and a commentary must be made of the source of these funds by mentioning the schedule of planned needs, the amount and cost of loans.

- Provisional balance sheets for each of the next five years.

- An exposition of the costs expressed in fixed and variable terms with the determination of the breakeven points from the accounting and treasury perspectives.

- A statement providing the following information in respect to current loans:

  - name of lender;
  - terms;
  - guarentees given;
  - restrictive clauses;
  - name of the employee of the lender who approved the loan;
  - details on the options granted and the rights of conversion agreed to;
  - audited financial statements for as many years as possible.

- A complete description of the accounting principles and methods of the company, including the methods used for auditing the following items:

  - Obsolescence and variations of inventory, fixed and variable genera costs, the amount of price on return of inventory, for example, last in - first out, first in - first out, or the average return price.

  - Costs paid in advance and anticipated costs.

  - Costs of research and development.

  - Evaluation and depreciation of intangible assets such as goodwill, trademarks, licences, concessions, and know-how.

- Tangible assets including methods of capitalization, maintenance, and redemption (for instance a decreasing redemption or sinking-fund)

- Rented property.

- Government assistance and grants (for example, lessening of charges, differed income, reduction of capital costs or surplus discounts).

- Provision for reimbursement for merchandise and for damaged goods, costs of guarentees, sureties, after-sales service.

- Conditional sales, delayed service; clearly indicate the method used to audit general revenues.

- Lump sums, potential or extraordinary costs, for example, indemnities at end of lease, indemnities upon cessation of work, exceptional advertising, opening costs, engineering and consultant fees.

- The consequences of changes in accounting methods over the course of a period; establish all statements on a comparative basis; also include the financial statements of other companies used and establish them on a comparable basis wherever possible.

IV. PRECAUTIONS TO BE OBSERVED

Before submitting the plan to a prospective investor, it is necessary to have it studied by several impartial people so that they may identify those points that are presented with too much optimism, that are missrepresented or that are left without a resolution.

It is necessary that these impartial people can confirm that the plan demonstrates in a favourable manner, the following points:

a. That management is perfectly competent.

b. That the definitions of the market and of the sales methods are realistic.

c. That the funds referred to will be sufficient in the long term.

d. That the production capacity is sufficient.

e. That the product is technically sound and that it can be sold.

V. A FEW WORDS OF ADVICE ON ATTRACTING SPECULATIVE CAPITAL - SUMMARY

Someone once defined a great entrepreneur as a small entrepreneur who never gives up trying. For the majority of people, the search for capital is an experience which takes a lot of time, and is expensive, frustrating, and demoralizing. The entrepreneur must:

a. Be the advocate of his own product or service. He must only think of sales. He must perfect his presentation until it is beyond reproach. He must be prepared and he must be obstinate.

b. Particularly, study the market.

c. Get help from experts - but only for that part of his presentation that it is understandable that he not be an -xpert in.

d. Get financially involved himself before asking others to provide speculative capital.

e. Try to divide overall plans into distinct parts. Often, a small pilot project can be easilly financed. If successful, the financing of other parts of the overall plan comes easier.

f. Have the project supported by reputable people (providers of funds, suppliers, clients, users, for example).

g. Obtain committments from customers and proof that they would gladly welcome the product or the service.

h. Include in the proposition not only the favourable factors, but the unfavourable ones as well.

i. Be wary of capital participation, but be realistic and avoid allowing the concept to become too well known at the beginning of research before most of the financing has been found.